

# VISTAR HOLDINGS LIMITED

熒德控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8535



V I S T A R



ANNUAL REPORT 2018/19

## **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors (the “Directors”) of Vistar Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Poon Ken Ching Keung  
*(Chairman and Chief Executive Officer)*  
Mr. Poon Ching Tong Tommy  
Mr. Ng Kwok Wai

### Non-executive Director

Ms. Poon Kam Yee Odilia

### Independent Non-Executive Directors

Dr. Wong Kam Din\*  
Mr. Yung Chung Hing  
Mr. Lam Chung Wai

## AUDIT COMMITTEE

Mr. Yung Chung Hing *(Chairman)*  
Dr. Wong Kam Din\*  
Mr. Lam Chung Wai

## REMUNERATION COMMITTEE

Dr. Wong Kam Din *(Chairman)\**  
Mr. Poon Ken Ching Keung  
Mr. Yung Chung Hing

## NOMINATION COMMITTEE

Mr. Poon Ken Ching Keung *(Chairman)*  
Dr. Wong Kam Din\*  
Mr. Lam Chung Wai

## COMPANY SECRETARY

Mr. Or Sek Hey Seky

## AUTHORISED REPRESENTATIVES

Mr. Poon Ken Ching Keung  
Mr. Or Sek Hey Seky

## COMPLIANCE OFFICER

Mr. Poon Ken Ching Keung

## COMPLIANCE ADVISER

Kingsway Capital Limited  
7/F, Tower One, Lippo Centre  
89 Queensway, Hong Kong

## REGISTERED OFFICE IN CAYMAN ISLANDS

PO Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2, 13/F., Tak King Industrial Building  
27 Lee Chung Street  
Chai Wan  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Estera Trust (Cayman) Limited  
PO Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## AUDITOR

BDO Limited  
Certified Public Accountants  
25/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

## PRINCIPAL BANKER

The Hong Kong and Shanghai Banking Corporation Limited  
HSBC Main Building  
1 Queen's Road Central  
Hong Kong

## COMPANY WEBSITE ADDRESS

[www.vistarholdings.com](http://www.vistarholdings.com)

## STOCK CODE

8535

\* Dr. Wong Kam Din has passed away on 6 June 2019.

## CHAIRMAN'S STATEMENT

On behalf of the Board (the "Board") of Directors (the "Directors") of Vistar Holdings Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "Group" or "We") for the year ended 31 March 2019 to the shareholders ("Shareholders") of the Company.

### OVERVIEW

The listing of the Company on GEM of the Stock Exchange (the "Listing") marked a significant milestone of our business development for our Group. The net proceeds raised from Listing allow for the expansion of our Group through purchasing of additional site equipment and further strengthening our manpower. I believe the public listing status has also heightened our corporate profile and recognition and assist us in reinforcing our brand awareness and image. I also believe that our internal control and corporate governance practices have been therein further enhanced.

During the year ended 31 March 2019, the financial results for our Group was still inspiring. The revenue of the Group increased to approximately HK\$365.66 million from approximately HK\$279.76 million for the year ended 31 March 2018. Our revenue increment was mainly due to (i) more contracts secured before the year ended 31 March 2019 and contracts signed during the reporting period for which works were also performed during the year; and (ii) the inclusion of the operating results on acquisition of Guardian Engineering Limited ("GEL") since 3 August 2017.

The Group's profit attributable to shareholders was approximately HK\$22.95 million for the year ended 31 March 2019 (2018: HK\$18.73 million). An increase of 22.49% of profit attributable to shareholders when compared to the previous year. The reason for increase was mainly due to (i) significantly higher amount of contracts secured and the works performed during the reporting period; and (ii) the inclusion of the operating results on acquisition of GEL since 3 August 2017.

### PROSPECT

In Hong Kong, the Chief Executive's 2018 Policy Address, one of the highlights was the land and housing agenda. Apart from implementing the new housing policy and allocating more land for public housing development, the Chief Executive also proposed to launch the "Lantau Tomorrow Vision" in the coming years and introduce the "Land Sharing Pilot Scheme" for meeting the short to medium-term housing demand with property developers who own the agricultural land. Such policies, if implemented, will create traction on the rising supply of public and private housing and hence, potentially a higher demand for the Company's services.

Looking forward, the Group faces tremendous opportunities and challenges. We consider that the future opportunities the Group wishes to explore might be hindered by challenges such as the condition of the property market in Hong Kong. Moreover, the tension created by the Trade War between China and the United States of America is also a major hurdle for the development of economy in the world.

Notwithstanding various challenges we face ahead, our Directors and management team continues to strive for success and to overcome these hurdles by utilizing the competitive advantages we are equipped including our teams of well-experienced and skilled workforce and strong financial resources since the Listing last year. All in all, we are confident to ensure sustainable growth and profitability of our business in the long run.

### APPRECIATION

On behalf of the Board, I wish to take this opportunity to thank our dedicated employees for their continued loyalty, diligence and contributions throughout the year. I would also like to express my sincere gratitude to my fellow board members, management team, staff members, business partners and most importantly, our shareholders and customers for their support to our Group.

**Vistar Holdings Limited**  
**Poon Ken Ching Keung**  
*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 19 June 2019

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a registered fire service installation contractor in Hong Kong and possesses a full range of electrical and mechanical ("E&M") licenses and qualifications which the Group maintained its position as one of the leading E&M engineering companies in Hong Kong, focusing in installation work, alteration and addition services and maintenance of fire service systems. Our services cover installation of the design of fire service systems for buildings under construction or re-development; our alteration and addition services cover the alteration and addition works on existing fire service systems; and our maintenance services cover the maintenance and repair of fire service systems for built premises.

The Group has teams of well-experienced and skilled project engineering staff. Besides, our Group also implements comprehensive operating and control procedures including effective and stringent tendering strategies in managing risks and returns. In addition, our Group maintains strong networks of well-established customers and suppliers. As available with our own advantages, our Group is confident in securing and undertaking sizable and desirable E & M engineering projects in Hong Kong in the years ahead.

To heighten the Group's recognition and enhance its capital base, the Company listed its shares on GEM of the Stock Exchange on 12 February 2018 by ways of placing and public offer (the "Listing").

### FINANCIAL REVIEW

#### Revenue

The Group's revenue for the year ended 31 March 2019 amounted to approximately HK\$365.66 million which represented an increase of approximately HK\$85.90 million or 30.71% from approximately HK\$279.76 million for the year ended 31 March 2018. The increase in total revenue was mainly due to an increase from installation work, alteration and addition services and maintenance services with its yearly revenue amounted to approximately HK\$234.66 million, HK\$125.34 million and HK\$5.67 million respectively. Our revenue increment was mainly due to contracts secured before year ended 31 March 2019 and contracts signed during the reporting period for which works were performed during the year.

#### Cost of revenue

The Group's cost of revenue increased from approximately HK\$233.97 million for the year ended 31 March 2018 to approximately HK\$311.01 million for the year ended 31 March 2019, representing an increase of approximately HK\$77.04 million or 32.93%. Such increase was mainly due to the increase in construction costs and subcontracting charges for the year ended 31 March 2019.

#### Gross profit and gross profit margin

Our gross profit increased by approximately HK\$8.86 million or 19.34% from approximately HK\$45.79 million for the year ended 31 March 2018 to approximately HK\$54.65 million for the year ended 31 March 2019. During the year ended 31 March 2019, the gross profit margin decreased from 16.37% for the year ended 31 March 2018 to 14.95% for the year ended 31 March 2019. The change was due to the increases in material costs and labour costs, as well as the revenue mix between installation work, alteration and addition services, and maintenance service which contributes different gross profit margin between each other.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Administrative and other operating expenses

Administrative and other operating expenses mainly represented the salaries and benefits of the administrative and management staff, rental expenses, insurance, legal and professional fees, depreciation of plant and equipment, amortisation of an intangible asset and other expenses. Our administrative and other operating expenses increased by approximately HK\$7.0 million or 35.99% from approximately HK\$19.45 million for the year ended 31 March 2018 to approximately HK\$26.45 million for the year ended 31 March 2019. The increase was mainly due to (i) increase in rental payment in prefabrication workshop and office; (ii) increase in staff cost; (iii) and the new accounting standard for the expected credit loss provision in trade receivable and contract assets.

### Finance costs

Finance costs of the Group remained stable at approximately HK\$0.11 million for the years ended 31 March 2019 and 2018. Finance costs consist of interest on bank borrowings and interest on finance lease payments.

### Income tax expense

Income tax expense for the Group increased by approximately HK\$0.69 million or 14.70% from approximately HK\$4.7 million for the year ended 31 March 2018 to approximately HK\$5.39 million for the year ended 31 March 2019. The increase was mainly due to the increase in taxable profit generated by the Group for the year ended 31 March 2019.

### Profit for the year attributable to owners of the Company

Profit for the year attributable to owners of the Company increased by approximately HK\$4.22 million or 22.49% from approximately HK\$18.73 million for the year ended 31 March 2018 to approximately HK\$22.95 million for the year ended 31 March 2019. Excluding nonrecurring and extraordinary items that materially offset each other such as Listing expenses, other gains from disposal of investment property recorded in last year; and the provision on expected credit loss for the year after adopting the new accounting standards, the Group's improved profitability is attributable to increased revenue from core activities including installation work, alteration and addition services and maintenance services. Our management team made tremendous efforts to keep the Group's direct and indirect cost level reasonable to past performance and against industry benchmark, in order to maintain a rewarding net profit attributable to owners of the Group.

### Liquidity, financial resources and capital structure

The Group finances its liquidity and capital requirements primarily through cash generated from operations, bank borrowings and equity contribution from shareholders.

As at 31 March 2019, the Group had cash and bank balances of approximately HK\$62.28 million (2018: HK\$45.80 million).

## MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 March 2019, the Group's total equity attributable to owners of the Company amounted to approximately HK\$108.26 million (2018: HK\$88.43 million). As of the same date, the Group's total debt, comprising bank borrowings and liabilities of the finance lease obligations, amounted to approximately HK\$2.11 million (2018: HK\$6.46 million).

On 12 February 2018, the Listing date, the Company was listed on GEM by way of public offer and completed the public offer of 300,000,000 shares by offer price of HK\$0.17 per share. The net proceeds from the Listing amounted to approximately HK\$24.12 million. The Directors believe that with the new capital from the public offer, the Group is in a healthy financial position to expand its business and achieve its business objectives.

### BORROWINGS AND GEARING RATIO

As at 31 March 2019, the Group had borrowings of approximately HK\$2.11 million which was denominated in Hong Kong Dollars (2018: HK\$6.46 million). The Group's bank borrowings of approximately HK\$1.87 million (2018: HK\$6.46 million) were primarily used in financing the working capital requirement of its operations.

As at 31 March 2019, the gearing ratio of the Group, calculated as the total interest-bearing liabilities divided by the total equity, was approximately 1.95% (2018: 7.30%).

### TREASURY POLICY

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

### FOREIGN EXCHANGE EXPOSURE

All of the revenue-generating operations and borrowings of the Group were mainly transacted in Hong Kong Dollars which is the presentation currency of the Group. As such, the Directors are of the view that the Group did not have significant exposure to foreign exchange risk. The Group currently does not have a foreign currency hedging policy.

### CAPITAL STRUCTURE

The shares of the Company were successfully listed on GEM of the Stock Exchange on 12 February 2018. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 31 March 2019, the Company's issued share capital was HK\$12 million and the number of its issued ordinary shares was 1,200,000,000 of HK\$0.01 each.

### CAPITAL COMMITMENTS

As at 31 March 2019, the Group did not have any significant capital commitments (2018: Nil).

### FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 March 2019, the Group did not have other plans for material investments or capital assets (2018: Nil).

### SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 31 March 2019, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures (2018: the Group acquired GEL).

# MANAGEMENT DISCUSSION AND ANALYSIS

## CONTINGENT LIABILITIES

As at 31 March 2019, the Group did not have any material contingent liabilities (2018: Nil).

## FINAL DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 March 2019 (2018: Nil).

## EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2019, the Group had 96 employees in total. The staff costs of the Group including directors' emoluments, management, administrative and operational staff for the year ended 31 March 2019 were approximately HK\$10.28 million (2018: HK\$8.77 million).

The Group recognises the importance of human resources to its success, therefore qualified and experienced personnel are recruited for reviewing and restructuring our existing business, as well as exploring potential investment opportunities.

Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industrial practice.

A remuneration committee was set up for reviewing the Group's emolument policy and structure for all Directors and senior management of the Group.

## SHARE OPTION SCHEME

The Company has a share option scheme (the "Share Option Scheme") which was approved and adopted by the shareholders of the Company by way of written resolutions passed on 24 January 2018. For further details, please refer to the section headed "E. Share Option Scheme" in Appendix V of the prospectus of the Company dated 31 January 2018 (the "Prospectus").

No share option has been granted under the Share Option Scheme since its adoption.

## EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any events after the reporting period that requires disclosure.

## USE OF PROCEEDS

The net proceeds from the Listing amounted to approximately HK\$24.12 million, which was based on the final offer price of HK\$0.17 per share (after deducting the underwriting fees and other expenses related to the Listing). Accordingly, the Company had adjusted the use of net proceeds from the Listing in the same manner and proportion as mentioned in the Prospectus. After the Listing, a part of these proceeds have been applied for the purposes in accordance with the future plans and use of proceeds as set out in the Prospectus.

## MANAGEMENT DISCUSSION AND ANALYSIS

An analysis of the utilisation of net proceeds from the Listing as at 31 March 2019 is set out below:

	<b>Adjusted use of net proceeds up to 31 March 2019 HK\$ million</b>	<b>Actual use of net proceeds up to 31 March 2019 HK\$ million</b>
Used for expanding and increasing our capacity in providing installation and maintenance services for fire safety system (Note 1)	<b>8.88</b>	<b>4.23</b>
Used for expanding our manpower for project execution	<b>3.84</b>	<b>2.45</b>
Used for expansion to the dealership network for building management system and automatic fire alarm system (Note 2)	<b>1.30</b>	<b>0</b>
Used for streamlining the process of providing the fire safety services by developing a central pre-fabrication workshop	<b>4.92</b>	<b>2.81</b>
Used for developing a 3D design system and an ERP system to enhance our project planning, management and implementation (Note 3)	<b>3.04</b>	<b>0.78</b>
Used for additional working capital and other general corporate purposes	<b>2.14</b>	<b>1.20</b>
<b>Total</b>	<b>24.12</b>	<b>11.47</b>

Notes:

1. A portion of the net proceeds amounts to approximately HK\$4.23 million was allocated for the provision of performance bonds in respect of the then three anticipated incoming pipeline projects. We had provided the performance bonds for two of these projects at a value lower than what we initially anticipated. The bidding process for the remaining project has been delayed.
2. We are still negotiating on the terms of the dealership arrangement with the suppliers of building management system and automatic fire alarm system. In the meantime, the Group had assigned selected technicians to attend complimentary trainings provided by these suppliers during the year ended 31 March 2019.
3. The Group has successfully migrated part of the business functions to a new financial reporting module it had purchased as part of the ERP system infrastructure. The implementation of the 3D design system is mainly driven by the system upgrades of our clients. Given a delay in our clients' system upgrades, the implementation of the development of the 3D design system has accordingly been delayed.

The unutilised net proceeds from the Listing have been placed with a licensed bank in Hong Kong.

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

The Directors will continuously evaluate the Group's business objectives and will consider to change or modify plans against the changing market condition to ensure the business growth of the Group.

## **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

### **EXECUTIVE DIRECTORS**

**Mr. Poon Ken Ching Keung (潘正強) (“Mr. Ken Poon”)**, aged 61, being one of our controlling shareholders of the Company, was appointed as the chief executive officer of our Company and the Chairman of our Company on 17 July 2017. Mr. Ken Poon is responsible for our Group’s overall management, corporate development, and strategic planning. He graduated from the University of Regina in Canada with a bachelor’s degree in Administration in May 1981. He obtained his professional qualification as a certified management accountant in October 1985 from the Society of Management Accountants of Alberta, Canada. He has been a Class 3 Registered Fire Service Installation Contractor registered with the Fire Services Department of Hong Kong since July 1981. He is a Licensed Plumber (Grade 1) licensed by the Water Supplies Department.

Mr. Ken Poon has over 30 years of experience in the fire services and water pump installation services. From 1981 to 1983, Mr. Ken Poon served as the assistant to deputy general manager of a subsidiary of the Company Guardian Fire Engineers and Consultants, Limited (“GFE”), during which he was responsible for project planning and general management. He was a controller of Kart Gardens International Inc., (a company primarily engaged in providing entertainment motor racing facilities), from 1984 to 1987 and regional financial controller of Canadian Telecommunication Group Inc., Alberta Canada (a company primarily engaged in telecommunication services) from 1987 to 1988. During both periods, he was responsible for operations and financial reporting. From January 1989 to March 1990, Mr. Ken Poon was employed as a controller of the Calgary Distribution Centre for Core – Mark Distributors, Inc. (a company primarily engaged in distribution of retail products), during which he was responsible for accounting and control procedures for improving the accuracy of financial information. From 1990 to 1991, he was responsible for corporate planning, marketing, and office administration as corporate controller of Liquidation World Inc. Canada (a company primarily engaged in the re-sell of discontinued products). As director and deputy general manager of GFE from 1991 to 2011, he was responsible for project management and office administration. From 2011 until present, he served as managing director, responsible for overall project management, administration, and internal control. Mr. Ken Poon is the elder brother of Mr. Tommy Poon, an executive Director, and Ms. Odilia Poon, the non-executive Director.

Mr. Ken Poon has been managing our Group’s overall management, corporate development, and strategic planning since August 1991. Our Board believes that the vesting of the roles of chairman and chief executive officer in Mr. Ken Poon is beneficial to the business operations and management of our Group and will provide a strong and consistent leadership to our Group. In addition, due to the presence of three independent non-executive Directors, our Board considers that no one individual has unfettered power of chief-executive officer as required by Code Provision A.2.1 of Appendix 15 to the GEM Listing Rules.

**Mr. Poon Ching Tong Tommy (潘正棠) (“Mr. Tommy Poon”)**, aged 52, being one of our Controlling Shareholders, was appointed our executive Director on 27 June 2017. He is responsible for overseeing and managing the projects of our Group. He has also been a director of GFE Since July 1991. He graduated from the University of Toronto in Canada with a bachelor’s degree in Applied Science in June 1989.

He then graduated from the University of London’s external program with a Master of Science in Financial Management in December 1998. Mr. Tommy Poon is a Hong Kong Registered Professional Engineer, and has been registered as a Chartered Engineer of the United Kingdom in March 1998. He has been a Class 3 Registered Fire Service Installation Contractor registered with the Fire Services Department since 7 May 1994. He is a Licensed Plumber (Grade 1) licensed by the Water Supplies Department and an electrical worker (Grade C) registered with Electrical and Mechanical Services Department.

## **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

Mr. Tommy Poon has over 26 years of experience in electrical, mechanical, and building services engineering work. As of 2006, Mr. Tommy Poon was a technical director of our Group responsible for managing and overseeing our projects. Prior to 2007, Mr. Tommy Poon served as project manager, senior engineer, and engineer in construction and maintenance projects of our Group during which he was responsible for on-site coordination, since he joined the Group in July 2001 as engineer. Mr. Tommy Poon is the youngest brother of Mr. Ken Poon, an executive Director, and Ms. Odilia Poon, the non-executive Director.

**Mr. Ng Kwok Wai (吳國威)**, aged 51, was appointed as our senior project manager on 1 April 2016 and appointed as our executive Director on 27 June 2017. He has been responsible for project management and project operations of our Group. He has also been a director of GFE since April 2016. Mr. Ng Kwok Wai obtained his high school diploma in Yu Chun Keung Memorial College in December 1985.

Mr. Ng Kwok Wai has over 21 years of experience of engineering work in Fire Services and Water Pump Installation. Mr. Ng Kwok Wai was appointed as assistant project manager for General Engineering (China) Co. Ltd. (a company primarily engaged in engineering services) from December 1996 to May 1997, during which he was responsible for the supervision of site works. From July 1997, Mr. Ng Kwok Wai was appointed as project manager of Mansion Fire Engineering Company Ltd. (a company primarily engaged in fire engineering). Since 10 March 1998, he has been project manager of GFE, where he has also been responsible for the supervision of projects.

### **NON-EXECUTIVE DIRECTOR**

**Ms. Poon Kam Yee Odilia (潘錦儀) (“Ms. Odilia Poon”)**, aged 58, was appointed as a non-executive Director of strategic planning of our Group. She has also been a director of GFE since December 1986. She graduated from the University of East Asia Macau, Macau, with a bachelor’s degree in Business Administration in September 1985. She later received a master degree of Science, majoring in Business Studies, from the University of Salford, United Kingdom in July 1987. In June 1990, she obtained a diploma in marketing from the Chartered Institute of Marketing, United Kingdom.

Ms. Odilia Poon has over 31 years of experience in marketing and promotion as well as in human resources management and consultancy. From April 1988 to January 1994, she served with Rothmans (Far East) Limited (a company primarily engaged in the tobacco business) with her last position as the marketing manager. She then joined Tait (HK) Limited (a company primarily engaged in marketing and distribution) from February 1994 to August 1996 as a sales and marketing director. From September 1996 to July 1997, she served as a promotion and packaging director in Pepsico. Inc. (a company primarily engaged in the sale of soft drinks) and during August 1997 to December 1998, she worked as a marketing director for Carlsberg Brewery Hong Kong Limited (a company primarily engaged in selling of beer). From May 1999 to April 2005, she served Hudson Global Resources (HK) Limited (a company primarily engaged in recruitment) with her last role as a country manager. From April 2005 to October 2005, she was with Agilent Technologies Hong Kong Limited (a company primarily engaged in distribution of professional equipment) as the staffing manager. She then joined Talent2 Shanghai Co., Limited (a company primarily engaged in human resources business process outsourcing) and held the positions of operations director of the recruitment managing services division and the managing director in China from November 2005 to July 2013. From January 2014 to June 2017, she has been serving as a director in Motiva Consulting Limited (a company primarily engaged in recruitment) where she has been overseeing the overall management of the company. She has been a non-executive director of Luk Hing Entertainment Group Holdings Limited (a company primarily engaged in entertainment services), which is listed on GEM (stock code: 8052), since 2 March 2016, and director of The Chapman Consulting Group Limited (a company primarily engaged in human resources) since 3 August 2015 and the title was changed to Executive Advisor since January 2019. Ms. Odilia Poon is the sister of Mr. Ken Poon and Mr. Tommy Poon, our executive Directors.

## **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

### **INDEPENDENT NON-EXECUTIVE DIRECTORS**

**Dr. Wong Kam Din (王金殿)**. It is with great sorrow that the late Dr. Wong Kam Din deceased on 6 June 2019. The late Dr. Wong Kam Din was appointed as an independent non-executive director of the Company on 24 January 2018. He graduated with an Associateship in Building Technology and Management in November 1986 from The Hong Kong Polytechnic (now Hong Kong Polytechnic University) and obtained a PhD in July 1993 from Civil Engineering Department, Loughborough University of Technology in the United Kingdom. He obtained his full membership of the Institution of the Civil Engineering Surveyors of Hong Kong in 1984, and a full membership of the Hong Kong Computer Society in 1992. He was elected as a member of the Association of Project Managers in 1993. He was also admitted at a full member of the Chartered Institute of Building of Hong Kong in 1987 and a full member of the Hong Kong Institution of Engineers in 1992.

The late Dr. Wong Kam Din had over 41 years of experience in architecture, quantity surveying, project management, and building engineering. He had worked as an architectural assistant for Y.K. Auyeng and Associates (a company primarily engaged in Architecture) from December 1976 to October 1977. From November 1977 to November 1982, he then worked as an quantity surveying assistant in the Construction Department of Henderson Real Estate Agency Limited (a company primarily engaged in real estate agency) and was promoted to quantity surveyor. From December 1982 to September 1987, he served as the Planning and Computing Engineer to the Planning and Computing Consultant in High-Point CTMS (Far East) Limited (a company primarily engaged in project promotion and consultancy). He served as director of Construct IT (Hong Kong) Limited (a company primarily engaged in information technology construction). Since September 1987, he had assumed various lecturing and research positions with the Building and Real Estate Department of the Hong Kong Polytechnic University from Assistant Lecturer, to Associate Professor and Senior Teaching Fellow.

The late Dr. Wong Kam Din had contributed widely to academic research and teaching in the field of construction IT, project management and contract administration in the professional community and society with his expertise. He received the Bronze Bauhinia Star (BBS) Award in July 2006 from the Hong Kong Government due to his contributions of professional and community services in Hong Kong.

**Mr. Yung Chung Hing (翁宗興)**, aged 58, was appointed as an independent non-executive director of the Company on 24 January 2018. Mr. Yung Chung Hing obtained a Professional Diploma in Management Accountancy from Hong Kong Polytechnic (now Hong Kong Polytechnic University) in November 1984 and a Master degree of Business Administration from University of Hong Kong in November 1991. Mr. Yung Chung Hing has been an associate member of the Chartered Institute of Management Accountant since 27 January 1998 in the United Kingdom and an associate member of the Hong Kong Society of Accountants (now the Hong Kong Institute of Certified Public Accountants) in Hong Kong since 19 April 1988.

Mr. Yung Chung Hing has over 28 years of experience in financial management. He served at the Hong Kong Land Property Company Limited (a company primarily engaged in property development) from April 1986 to June 1995, with his last position as the Group's Cash Manager and Chief Money Dealer of the company. From 1995 to 2012, Mr. Yung Chung Hing served with the Hong Kong Land Group Limited (a company primarily engaged in property development) as assistant treasurer. During January 2013 to January 2015, he was the corporate finance manager (treasury) with the Hospital Authority. Within this period, he was the deputizing senior manager of financial control and operations for six months. From June 2016 to June 2017, he has been the general manager of Technic Essential Insurance and Reinsurance Brokers Ltd (a company primarily engaged in insurance brokerage). Since June 2017, he has been serving as a Technical Representative of AMG Wealth Management Limited (a company primarily engaged in private wealth management services).

## **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

**Mr. Lam Chung Wai (林仲煒)**, aged 39, was appointed as an independent non-executive director of the Company on 24 January 2018. Mr. Lam Chung Wai graduated from the University of Hong Kong with a bachelor's degree in Laws in July 2001. He then obtained his Postgraduate Certificate in Laws in July 2002. Mr. Lam Chung Wai obtained his Hong Kong Bar Association membership in September 2002 and has qualified as a Barrister-at-law since then.

Mr. Lam Chung Wai has been practicing as a Barrister-at-law since September 2002. From 2007, Mr. Lam Chung Wai has been serving as a member of the incorporated management committee of Li Ka Shing College of Tung Wah Group of Hospitals. Mr. Lam Chung Wai has also been an accredited professional mediator of the Mainland – Hong Kong Joint Mediation Centre since 6 December 2016. He has been serving as a part time lecturer at the Department of Professional Legal Education in 2016 and 2017.

### **SENIOR MANAGEMENT**

**Mr. Ng Kam Por, Garry (吳錦波)**, aged 56, is the financial controller of the Group. He is principally responsible for supervision of the Group's financial reporting, financial control, treasury and company secretarial matters. Mr. Ng joined the Group in December 2017.

Mr. Ng has about 31 years of experience in the areas of auditing, taxation, financial management and company secretarial. Prior to joining the Company, Mr. Ng worked in an international audit firm, Inland Revenue Department, and held senior financial position as financial controller in several companies including listed companies. Before joining the Company, Mr. Ng is a company secretary of a Main Board listed company from November 2015 to March 2017.

Mr. Ng obtained a Master Degree of Corporate Governance from The Open University of Hong Kong in November 2014. He is a member of the Hong Kong Institute of Certified Public Accountants and fellow member of the Association of Chartered Certified Accountants.

**Mr. Or Sek Hey Seky (柯錫熙)**, aged 38, was appointed as our company secretary on 24 January 2018 and the authorised representative of our Company. He graduated from The University of Western Ontario with a Degree of Bachelor of Administrative and Commercial Studies in June 2003 and a Diploma in Accounting in October 2003. He was admitted as Chartered Accountant of the Institute of Chartered Accountants of Ontario in May 2009 and admitted as Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants in May 2017.

Mr. Or Sek Hey Seky has more than 14 years of experience in the accounting and finance industry. Since May 2016, he has been the Vice President of AE Majoris Advisory Company Limited (a company principally engaged in corporate advisory and consulting services). From July 2011 to May 2016, he worked at Goldman Sachs (Asia) L.L.C. (a company primarily engaged in financial services) with his last position being Associate in the Controllers Department. From August 2009 to April 2011, Mr. Or Sek Hey Seky worked at Excelsior Capital Asia (HK) Limited (a company primarily engaged in direct investment) as fund accountant, and from September 2004 to March 2009, he worked at Deloitte Touche Tohmatsu (a company primarily engaged in the provision of auditing services) in Toronto with his last position being a senior staff accountant in the Assurance & Advisory Practice.

## **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

**Mr. Lee Siu Ki (李兆琪)**, aged 33, was appointed as our project manager on 1 April 2016. He obtained a higher diploma in Building Services Engineering from the Hong Kong Institute of Vocational Education in July 2007. He then obtained a training certificate in Safe Use of Abrasive Wheels in April 2008 from the Occupational Safety and Health Council of Hong Kong, and further obtained a certificate of completion of a 42-hour Construction Safety Supervisor Course in August 2008 from the Construction Industry Council Training Academy of Hong Kong. Mr. Lee Siu Ki then graduated from the City University of Hong Kong in February 2012 with a bachelor's degree in Engineering in Building Services Engineering.

Mr. Lee Siu Ki has over 12 years of experience for engineering work in Fire Services and Water Pump Installation. On 1 June 2007, he joined GFE as assistant engineer, where he was responsible for on-site coordination and inspection until 31 March 2012. From 1 April 2012 to 31 March 2016, he was responsible for progress monitoring and site supervision. He has been project manager since 1 April 2016 and has been responsible for overall management, checking, and supervision of contract works.

**Mr. Lo Chi Kok (盧自覺)**, aged 54, has been appointed as our drafting department manager since 18 April 1988. He obtained his Diploma in Electrical Engineering in July 1986 from the Haking Wong Technical Institute of the Vocational Training Council. He is an electrical worker (Grade B) registered with the Electrical and Mechanical Services Department.

Mr. Lo Chi Kok has over 31 years of experience in engineering, design, and technical hardware production. As our drafting department manager, he has been responsible for overseeing the preparation and design of fire services layout shop drawings and details, progress programmes, and submission schedules. From October 1986 to March 1988, he served as a technician with Micro Electronics Limited (a company primarily engaged in semi-conductor manufacturing), where he was responsible for the repair and maintenance of semi-conductor bonder equipment of the production line.

## **DIRECTORS' REPORT**

The Directors present their report together with the audited consolidated financial statements of the Group for the year ended 31 March 2019.

### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The Group is an established E&M engineering service provider in Hong Kong and engaged in the provision of installation, alteration and addition works and maintenance of fire service systems to our customers. Our installation services include design and installation of fire service systems for buildings under construction or re-development, our alteration and addition works services cover the alteration and addition works on existing fire service systems, and our maintenance services cover the maintenance and repair of fire service systems for built premises.

The business review of the Group for the year is set out in the "Chairman's Statement" and "Management Discussion and Analysis" of this report.

### **LISTING ON GEM**

The Company was incorporated with limited liability in the Cayman Islands on 27 June 2017. The companies now comprising the Group underwent a reorganisation (the "Reorganisation") to rationalise the structure of the Group in preparation for the placing and public offer of the shares of the Company on GEM of the Stock Exchange. Pursuant to the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group. Further details of the Reorganisation are set out in the section headed "History, reorganization and corporate structure" to the prospectus of the Company dated 31 January 2018 (the "Prospectus").

The shares of the Company (the "Shares") have been listed on GEM of the Stock Exchange on 12 February 2018. Success Step Management Limited ("Success Step"), Mr. Ken Poon, Noble Capital Concept Limited ("Noble Capital"), Alderhill Holdings Limited ("Trust Holding Company"), Unity Trust Limited ("Unity Trust") and Mr. Tommy Poon (together, the "Controlling Shareholders") are the controlling shareholders within the meaning of the GEM Listing Rules.

### **RESULTS AND DIVIDENDS**

The results of the Group for the year ended 31 March 2019 are set out in the consolidated statement of comprehensive income of this report. The state of affairs of the Group as at 31 March 2019 are set out in the consolidated statement of financial position. The Directors do not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: Nil).

### **THREE-YEAR FINANCIAL SUMMARY**

A summary of the results, assets and liabilities of the Group, as extracted from the Prospectus and the consolidated financial statements of the Group for the year ended 31 March 2019 are set out page 122 of this report.

### **SHARE CAPITAL**

Details of movements of the share capital of the Company during the year ended 31 March 2019 are set out in note 26 to the consolidated financial statements of this report.

### **RESERVES**

Details of movements of the reserves of the Group and the Company during the year ended 31 March 2019 are set out in the consolidated statement of changes in equity and note 29 to the consolidated financial statements of this report, respectively.

## **DIRECTORS' REPORT**

### **SHARE OPTION SCHEME**

A share option scheme (the "Scheme") was approved and adopted by the Company on 24 January 2018.

The Scheme is effective for a period of 10 years commencing on the Listing Date of the Company. Under the Scheme, the board of directors may in its absolute discretion determine at the time of grant of the relevant option but the subscription price shall not be less than whichever is the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of the granting of the option; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the granting of the option; and (iii) the nominal value of a share. An offer of grant of an option may be accepted by a participant within the date as specified in the offer letter issued by the Company, being a date not later than 28 days from the date upon which it is made, by which the participant must accept the offer or be deemed to have declined it, provided that such date shall not be more than 10 years after the date of adoption of the Scheme. A consideration of HK\$1 is payable on acceptance of the offer of grant of an option.

The period as the board of directors may in its absolute discretion determine and specify in relation to any particular option holder in his option agreement during which the option may be exercised (subject to such restriction on exercisability specified therein), which shall be not greater than the period prescribed by the GEM Listing Rules from time to time (which is, as at the date of adoption of the Scheme, a period of 10 years from the date of the granting of the option).

The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes must not exceed 30% of the shares in issue from time to time. No options may be granted under any schemes of the Company if this will result in the limit being exceeded. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Company must not in aggregate exceed 10% of the shares in issue. Options lapsed in accordance with the terms of the Scheme or any other schemes will not be counted for the purpose of calculating the 10% limit.

No share options were granted under the Scheme during the year. Share options do not confer rights to the holders to dividends or to vote at shareholders' meetings.

### **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the memorandum and articles of association of the Company or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the year ended 31 March 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

### **PROPERTY, PLANT AND EQUIPMENT**

Movements in the property, plant and equipment of our Group during the year ended 31 March 2019 are set out in note 16 to the consolidated financial statements of this report.

### **DISTRIBUTABLE RESERVES OF THE COMPANY**

As at 31 March 2019, the Company's distributable reserves, subject to solvent test, amounted to HK\$9,582,000.

## **DIRECTORS' REPORT**

### **EQUITY-LINKED AGREEMENTS**

Save for the share option scheme (the "Share Option Scheme") as set out in note 27 to the consolidated financial statements, no equity-linked agreements were entered into by our Group, or existed during the year ended 31 March 2019.

### **KEY RELATIONSHIPS WITH STAKEHOLDERS**

#### **Employees**

Our Group recognises employees as our valuable assets. We provide competitive remuneration package to attract, motivate and retain appropriate and suitable personnel to serve our Group. We have also adopted an annual review system to assess the performance of our staff, which forms the basis of our decisions with respect to salary raises and promotions.

#### **Customers**

A majority of our five largest customers have long-standing business relationship with us for over ten years and we will therefore endeavor to accommodate their demands for our services to the extent our resources allow in order to capture more opportunities for larger scale projects in the future. Our Group's experience as a quality subcontractor in handling civil engineering projects also give business advantage to our customers to ensure projects are executive in accordance with their quality standard.

#### **Suppliers and subcontractors**

Our Group encompasses working relationships with suppliers and subcontractors to meet our customers' needs in an effective and efficient manner. Our Group has set up an approved list of suppliers and we select our suppliers from the list based on their prices, quality, past performances and timeliness of delivery.

Subject to our capacity, resources level, types of civil engineering works, cost effectiveness, complexity of the projects and customers' requirement, we may subcontract our works to other subcontractors. We maintain an internal list of approved subcontractors and carefully evaluate the performance of our subcontractors and select them based on their background, technical capability, experience, fee quotation, service quality, labour resources, timeliness of delivery, reputation and safety performance.

### **MAJOR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS**

For the year ended 31 March 2019, our largest customer accounted for approximately 14.85% (2018: 21.89%) of our total revenue, while the percentage of our total revenue attributable to our five largest customers in aggregate was approximately 47.22% (2018: 46.23%).

For the year ended 31 March 2019, our largest supplier accounted for approximately 18.54% (2018: 18.59%) of our total purchases incurred (excluding subcontracting charges incurred), while the percentage of our total purchases incurred (excluding subcontracting charges incurred) attributable to our five largest suppliers in aggregate was approximately 55.06% (2018: 47.35%).

For the year ended 31 March 2019, our largest subcontractor amounted to approximately 14.31% (2018: 14.19%) of our total subcontracting charges incurred, while the percentage of our subcontracting charges incurred attributable to our five largest subcontractors in aggregate was approximately 56.08% (2018: 56.60%).

None of the Directors, their close associates, or any shareholders who or which, to the knowledge of the Directors, owned more than 5% of the issued Shares have any interest in any of the five largest customers, suppliers and subcontractors during the year ended 31 March 2019.

## **DIRECTORS' REPORT**

### **MANAGEMENT CONTRACT**

During the year ended 31 March 2019, neither the Company nor its subsidiaries has entered into a contract by which (a) a person undertakes the management and administration of the whole or any substantial part of the business of the Company; and (b) the contract is not a contract of service with any Director or any person engaged in the full-time employment of the Company.

### **ENVIRONMENTAL POLICY**

Our Group's operations at work sites are subject to certain environmental requirements pursuant to the laws in Hong Kong. In order to comply with the applicable environmental protection laws, we had implemented an environmental management system which was certified to be in compliance with the standard required under ISO 14001:2004. Apart from following the environmental protection policies formulated and required by our customers, we have also established our environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by both our employees and workers of the subcontractors on among others, air pollution, noise control and waste disposal.

During the year ended 31 March 2019, our Group did not record any non-compliance with applicable environmental requirements that resulted in prosecution or penalty being brought against our Group.

### **COMPLIANCE WITH LAWS AND REGULATIONS**

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, our Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of our Group during the year ended 31 March 2019.

### **ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS**

The forthcoming Annual General Meeting ("AGM") of the Company will be held on 26 August 2019 at 24/F, Admiralty Centre, 18 Harbour Road, Hong Kong. For the purpose of determining entitlement to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from 21 August 2019 to 25 August 2019, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:00 p.m. on 21 August 2019.

### **TAX ALLOWANCES**

The Company is not aware of any particular tax allowances granted to the Company's shareholders due to their interests in its securities.

### **DIRECTORS**

The composition of the Board during the year and up to the date of this report is set out as follow:

#### **Executive Directors**

Mr. Poon Ken Ching Keung (*Chairman*)  
Mr. Poon Ching Tong Tommy  
Mr. Ng Kwok Wai

#### **Non-Executive Director**

Ms. Poon Kam Yee Odilia

## **DIRECTORS' REPORT**

### **Independent Non-Executive Directors**

Dr. Wong Kam Din (*deceased on 6 June 2019*)

Mr. Yung Chung Hing

Mr. Lam Chung Wai

Each of the executive directors has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date and until terminated by either the Company or the Directors giving to the other not less than three months' notice in writing in accordance with the terms of the contract. Each INED was appointed under a letter of appointment for a fixed term of three years initially commencing from the Listing Date shall terminate on whenever is the earlier of (i) the date of expiry of the period; (ii) ceasing to be a director for any reason pursuant to the Articles of Association of the Company or any other applicable law; or (iii) either party giving at least one month's notice in writing.

In accordance with Article 108(a) of the Articles of Association of the Company, at each AGM one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. Particulars of Directors seeking re-election at the forthcoming AGM are set out in the related circular to shareholders.

The Directors' biographical details are set out in the section headed "Biographical Details of Directors and Senior Management" in this report.

The Company has received an annual confirmation of independence from each Independent Non-executive Directors ("INEDs") pursuant to the requirements under Rule 5.09 of the GEM Listing Rules. The Company considers the INEDs to remain independent as at date of this report.

### **DIRECTORS' SERVICE CONTRACT**

Each of the executive directors has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date and until terminated by either the Company or the director giving to the other not less than three months' notice in writing in accordance with the terms of the agreement. Each INEDs was appointed under a letter of appointment for a fixed term of three years initially commencing from the Listing Date shall terminate on whenever is the earlier of (i) the date of expiry of the period; (ii) ceasing to be a director for any reason pursuant to the Articles of Association of the Company or any other applicable law; or (iii) either party giving at least three month's notice in writing.

None of the Directors proposed for election at the forthcoming AGM has or is proposed to have a service contracts with the Company or any of its subsidiaries which is not determinable by our Group within one year without payment compensation, other than the statutory compensation.

### **PERMITTED INDEMNITY OF DIRECTORS**

Pursuant to the Articles of Association, each Directors shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

Since the Listing date, the Company has arranged appropriate insurance cover in respect of claims and legal actions against the Directors and its officers.

### **DIRECTORS' INTERESTS IN CONTRACT**

Apart from the contracts relating to the reorganisation of our Group in relation to the Listing and save as disclosed in this report, no transactions, arrangements and contracts of significance in relation to our Group's business to which the Company or any of its subsidiaries was a party and in which the Directors or an entity connected the Directors had a material interest, whether directly or indirectly, subsisted at any time during the year ended 31 March 2019.

## **DIRECTORS' REPORT**

### **DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS**

Details of the emoluments of the Directors and the five highest paid individuals of our Group are set out in note 15 to the consolidated financial statements in this report.

### **REMUNERATION POLICY**

The remuneration committee will review and determine the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, time devoted to our Group and the performance of our Group. The Directors may also receive options to be granted under the Scheme.

### **DIRECTORS' INTEREST IN COMPETING INTERESTS**

Other than members of the Group, none of the Directors or their respective close associates (as defined in the GEM Listing Rules) has interest in any business which competes or is likely to compete, directly or indirectly, with the business of the Group.

### **INTEREST OF CONTROLLING SHAREHOLDERS**

Save as disclosed in this report, the Directors are not aware of any business or interest of the Controlling Shareholder of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the year ended 31 March 2019.

### **COMPLIANCE AND ENFORCEMENT OF THE NON-COMPETITION UNDERTAKINGS FROM CONTROLLING SHAREHOLDERS**

As disclosed in the Prospectus, all Controlling Shareholders have entered into the deed of non-competition undertakings ("Deed of Non-competition Undertakings") in favour of the Company (for its own and on behalf of all members of the Group) on 26 January 2018, pursuant to which each of the Controlling Shareholders, irrevocably and unconditionally, undertakes and covenants with the Company that during the period that the Deed of Non-competition Undertakings remains effective, each of the Controlling Shareholders shall not, and shall procure that none of his/her/its associates (except any member of the Group), directly or indirectly (other than through the Group) engage, participate or hold any right or interest in or render any services to or otherwise be involved, whether as a shareholder, director, employee, partner, agent or otherwise (as the case may be), in any business in competition with or likely to be in competition with the Group's existing business activity and any business activities which may be undertaken by the Group from time to time and/or which any member of the Group may undertake in Hong Kong from time to time. Details of the Deed of Non-competition Undertakings have been set out in the section headed "Relationship with Controlling Shareholders — Deed of Non-competition" in the Prospectus.

### **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of our Group were entered into or in existence during the year ended 31 March 2019.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as otherwise disclosed in this report, at no time during the reporting period were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

## **DIRECTORS' REPORT**

### **INTEREST OF COMPLIANCE ADVISER**

In accordance with Rule 6A.19 of the GEM Listing Rules, our Group has appointed Kingsway Capital Limited as our compliance adviser, which provide advice and guidance to our Group in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors' duties and internal controls. Except for the compliance adviser agreement entered into between the Company and our compliance adviser dated on 14 July 2017, neither our compliance advisor nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to our Group pursuant to Rule 6A.32 of the GEM Listing Rules.

### **CONNECTED TRANSACTIONS**

Pursuant to the lease agreement (the "Lease Agreement") entered into between Vistar Alliance Limited owned as to 50% by Mr. Ken Poon and 50% by Mr. Tommy Poon, respectively (the "Lessor") and GFE (the "Lessee") dated 22 January 2018, the Lessor has agreed to lease Workshop 2 on 13th Floor, Tak King Industrial Building, No. 27 Lee Chung Street, Chai Wan, Hong Kong (the "Premises") of approximately 2,937 square feet to the Lessee for a term of not more than three years commencing from 16 January 2018 and up to 31 March 2020 at a monthly rental of HK\$43,800.

The related party transactions entered into by our Group are set out in note 33 to the consolidated financial statements of this report.

The related party transactions do not constitute connected transactions of the Company for the year ended 31 March 2019. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

### **CORPORATE GOVERNANCE**

Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" on pages 25 to 36 of this report.

### **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company complies with the minimum of public float of 25% as required under the GEM Listing Rules as at the date of this report.

### **DONATIONS**

Total donations made by our Group for charitable and other purposes during the year amounted to HK\$3,000 (2018: HK\$10,000).

### **AUDITOR**

The consolidated financial statements for the reporting period have been audited by BDO Limited ("BDO"). BDO shall retire in the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution for the reappointment as auditor of the Company will be proposed at the forthcoming AGM. There is no change in auditor since the date of the Listing.

## DIRECTORS' REPORT

### DISCLOSURE OF INTERESTS

#### A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 31 March 2019, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long position in the Shares

Name of Director/ Chief Executive	Capacity/Nature of Interest	Number of Shares held/ interested <sup>(Note 1)</sup>	Percentage of Issued Share Capital <sup>(Note 2)</sup>
Mr. Ken Poon <sup>(Notes 3 and 6)</sup>	Interest in a controlled corporation	508,500,000	42.38%
Mr. Tommy Poon <sup>(Notes 4 and 6)</sup>	Settlor and beneficiary of a discretionary trust	481,500,000	40.13%
Mr. Ng Kwok Wai <sup>(Notes 5 and 6)</sup>	Interest in a controlled corporation	90,000,000	7.50%
Ms. Odilia Poon <sup>(Notes 5 and 6)</sup>	Interest in a controlled corporation	90,000,000	7.50%

Notes:

- (1) All interests stated are long positions.
- (2) The calculation is based on the total number of 1,200,000,000 Shares in issue as at 31 March 2019.
- (3) Mr. Ken Poon holds the entire issued share capital of Success Step. Success Step, in turn, directly holds 418,500,000 Shares and is deemed to be interested as holder of equity derivative in the 90,000,000 Shares held by Legend Advanced Limited ("Legend Advanced") as described in note 6 below.  
  
Accordingly, Mr. Ken Poon is deemed to be interested in the 508,500,000 Shares which Success Step is deemed to be interested in.
- (4) Unity Trust, the trustee of the Alderhill Trust, holds the entire issued share capital of Trust Holding Company. Trust Holding Company, in turn, holds the entire issued share capital of Noble Capital. The Alderhill Trust is a discretionary trust established by Mr. Tommy Poon (as the settlor) and the discretionary beneficiaries of which include Mr. Tommy Poon and his family members. Noble Capital, in turn, directly holds 391,500,000 Shares and is deemed to be interested as holder of equity derivative in the 90,000,000 Shares held by Legend Advanced as described in note 6 below. As such, Mr. Tommy Poon is deemed to be interested in the 481,500,000 Shares which Noble Capital is deemed to be interested in.
- (5) Ms. Odilia Poon, Mr. Ng Kwok Wai and Ms. Lee To Yin are interested in approximately 40%, 30% and 30% of the issued share capital of Legend Advanced, respectively. Legend Advanced, in turn, directly holds 90,000,000 Shares.
- (6) On 25 January 2018, Legend Advanced entered into the Deed of Undertaking in favour of Success Step and Noble Capital. For further details, please refer to the paragraph headed "History, Reorganisation and Corporate Structure — Reorganisation" in the Prospectus.

Accordingly, each of Success Step, Mr. Ken Poon, Noble Capital, Trust Holding Company, Unity Trust and Mr. Tommy Poon is deemed to be interested in the 90,000,000 Shares held by Legend Advanced.

## DIRECTORS' REPORT

Save as disclosed above, as at 31 March 2019, none of the Directors and chief executive of the Company has any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to Rules 5.46 to 5.67 of the GEM Listing Rules.

### B. Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 March 2019, the following person/entity (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the Shares or the underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interests in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

Long position in the Shares

Name of Shareholder	Capacity/Nature of Interest	Number of Shares held/ interested <sup>(Note 1)</sup>	Percentage of Issued Share Capital <sup>(Note 2)</sup>
Success Step <sup>(Notes 3 and 5)</sup>	Beneficial owner	418,500,000	34.88%
	Holder of equity derivative	90,000,000	7.50%
		508,500,000	42.38%
Noble Capital <sup>(Notes 4 and 5)</sup>	Beneficial owner	391,500,000	32.63%
	Holder of equity derivative	90,000,000	7.50%
		481,500,000	40.13%
Trust Holding Company <sup>(Notes 4 and 5)</sup>	Interest in a controlled corporation	481,500,000	40.13%
Unity Trust <sup>(Notes 4 and 5)</sup>	Trustee of trust	481,500,000	40.13%
Legend Advanced <sup>(Note 6)</sup>	Beneficial owner	90,000,000	7.50%
Ms. Deng Anna Man Li <sup>(Note 7)</sup>	Interest of spouse	508,500,000	42.38%
Mr. Roberts Christopher John <sup>(Note 8)</sup>	Interest of spouse	90,000,000	7.50%

## DIRECTORS' REPORT

Notes:

- (1) All interests stated are long positions.
- (2) The calculation is based on the total number of 1,200,000,000 Shares in issue as at 31 March 2019.
- (3) Mr. Ken Poon holds the entire issued share capital of Success Step. Success Step, in turn, directly holds 418,500,000 Shares and is deemed to be interested as holder of equity derivative in the 90,000,000 Shares held by Legend Advanced as described in note 5 below.

Accordingly, Mr. Ken Poon is deemed to be interested in the 508,500,000 Shares which Success Step is deemed to be interested in.

- (4) Unity Trust, the trustee of the Alderhill Trust, holds the entire issued share capital of Trust Holding Company. Trust Holding Company, in turn, holds the entire issued share capital of Noble Capital. The Alderhill Trust is a discretionary trust established by Mr. Tommy Poon (as the settlor) and the discretionary beneficiaries of which include Mr. Tommy Poon and his family members. Noble Capital, in turn, directly holds 391,500,000 Shares and is deemed to be interested as holder of equity derivative in the 90,000,000 Shares held by Legend Advanced as described in note 5 below. As such, Mr. Tommy Poon is deemed to be interested in the 481,500,000 Shares which Noble Capital is deemed to be interested in.
- (5) On 25 January 2018, Legend Advanced entered into the Deed of Undertaking in favour of Success Step and Noble Capital. For further details, please refer to the paragraph headed "History, Reorganisation and Corporate Structure — Reorganisation" in the Prospectus.

Accordingly, each of Success Step, Mr. Ken Poon, Noble Capital, Trust Holding Company, Unity Trust and Mr. Tommy Poon is deemed to be interested in the 90,000,000 Shares held by Legend Advanced.

- (6) Ms. Odilia Poon, Mr. Ng Kwok Wai and Ms. Lee To Yin are interested in approximately 40%, 30% and 30% of the issued share capital of Legend Advanced, respectively. Legend Advanced, in turn, directly holds 90,000,000 Shares.
- (7) Ms. Deng Anna Man Li is the spouse of Mr. Ken Poon. By virtue of the SFO, Ms. Deng Anna Man Li is deemed to be interested in the Shares held by Mr. Ken Poon.
- (8) Mr. Roberts Christopher John is the spouse of Ms. Odilia Poon. By virtue of the SFO, Mr. Roberts Christopher John is deemed to be interested in the Shares held by Ms. Odilia Poon.

Save as disclosed above, as at 31 March 2019, none of the substantial or significant shareholders or other persons, other than the Directors and chief executives of the Company whose interests are set out in the section "A. Directors' and Chief Executives' interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" above, had or were deemed to have an interest or a short position in the Shares or the underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the company or any other member of the Group.

On behalf of the Board  
**Vistar Holdings Limited**  
**Poon Ken Ching Keung**  
*Chairman and Executive Director*

Hong Kong, 19 June 2019

# CORPORATE GOVERNANCE REPORT

## INTRODUCTION

Pursuant to Rule 18.44(2) of the GEM Listing Rule, the Board is pleased to present hereby the corporate governance report of the Company for the reporting period.

The Directors and the management of our Group recognise the significance of sound corporate governance to the long-term and continuing development of our Group. Therefore, the Board is committed to upholding good corporate standards and procedures for the best interest of the shareholders of the Company (the "Shareholders").

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to fulfilling its responsibilities to the Shareholders and protecting and enhancing Shareholders' value through good corporate governance.

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") in Appendix 15 of the GEM Listing Rules. Save as disclosed below, the Directors consider that for the year ended 31 March 2019, the Company has complied with all the applicable code provisions set out in the CG Code.

## BOARD OF DIRECTORS

### Responsibilities of the Board

The key responsibilities of the Board include formulation of our Group's overall strategies, the setting of management targets and supervision of management performance. The management is delegated with the authority and responsibility by the Board for the management and administration of our Group. In addition, the Board has also delegated various responsibilities to the board committees of the Company. Further details of the board committees of the Company are set out below in this report.

### Corporate Governance Functions

The Board is responsible for, among others, performing the corporate governance duties as set out in code provision D.3.1 of the CG Code, which include:

- (a) to develop and review our Group's policies and practices on corporate governance and make recommendations;
- (b) to review and monitor the training and continuous professional development of the Directors and senior management;
- (c) to review and monitor our Group's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and
- (e) to review our Group's compliance with the CG Code and disclosure in the corporate governance report.

## **CORPORATE GOVERNANCE REPORT**

### **COMPOSITION OF THE BOARD**

Our Board consisted of seven directors, comprising three executive directors, namely Mr. Ken Poon, Mr. Tommy Poon and Mr. Ng Kwok Wai, one non-executive director, namely Ms. Poon Kam Yee Odilia and three INEDs, namely Dr. Wong Kam Din, Mr. Yung Chung Hing and Mr. Lam Chung Wai as at 31 March 2019.

Following the passing away of Dr. Wong, the Company only has two independent non-executive Directors, thus the number of independent non-executive Directors falls below the minimum number required under Rule 5.05(1) of the GEM Listing Rules. The Company also fails to comply with the requirement set out in Rule 5.28 of the GEM Listing Rules with regard to the minimum number of members of the audit Committee. In addition, the number of independent non-executive Directors of the remuneration committee and nomination committee of the Company have fallen below a majority as required under Rule 5.34 and code provision A.5.1 of the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules.

The Company will use its best endeavour to identify suitable candidate(s) to fill up the vacancy of independent non-executive Director within three months from 6 June 2019 as required under Rules 5.06, 5.33 and 5.36 of the GEM Listing Rules, and will make further announcement as and when appropriate.

There is a balance of skills and experience for the Board, which is appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Biographical Details of Directors and Senior Management" of this report.

Pursuant to the code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy. The Board has adopted the board diversity policy with a view to achieve a sustainable and balanced development of our Group. In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. This diversity policy is reviewed annually by the nomination committee of the Company, and where appropriate, revisions will be made with the approval from the Board.

### **Relationships between members of the Board**

Mr. Tommy Poon is the younger brother of Mr. Ken Poon. They are the executive directors with the meaning ascribed thereto under the GEM Listing Rules. Ms. Odilia Poon was appointed as a non-executive director and she is also the sister of Mr. Ken Poon and Mr. Tommy Poon, our executive directors. The biographical details of each of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this report.

Save as disclosed above, the Directors have no financial, business, family or other material or relevant relationship with each other.

### **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

Mr. Ken Poon has been managing our Group's overall management, corporate development, and strategic planning since August 1991. Our Board believes that the vesting of the roles of chairman and chief executive officer in Mr. Ken Poon is beneficial to the business operations and management of our Group and will provide a strong and consistent leadership to our Group. In addition, due to the presence of three INEDs, our Board considers that no one individual has unfettered power of decision. Accordingly, our Company has not segregated the roles of its chairman and chief executive officer as required by code provision A.2.1 of the CG Code.

# CORPORATE GOVERNANCE REPORT

## BOARD MEETINGS

Pursuant to code provision A.1.1 of the CG Code, the Board should meet regularly and Board meetings should be held at least four times a year. Additional meetings would be arranged if and when required. Directors may participate either in person or through electronic means of communications. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. Full minutes are prepared after the meetings and the draft minutes are sent to all Directors for their comments on the final version of which are endorsed in the subsequent Board meeting. During the year ended 31 March 2019, four Board meetings were held on 20 June 2018, 7 August 2018, 8 November 2018 and 31 January 2019 and an annual general meeting was held on 20 August 2018. The individual attendance record of the Board meetings and an annual general meeting is set out as follows:

### Number of Meetings and Directors' Attendance

Name of Director	Meetings attended/ Eligible to attend Board meetings	Annual General Meeting
<b>Executive Directors</b>		
Mr. Poon Ken Ching Keung	4/4	1/1
Mr. Poon Ching Tong Tommy	4/4	1/1
Mr. Ng Kwok Wai	4/4	1/1
<b>Non-Executive Director</b>		
Ms. Poon Kam Yee Odilia	4/4	1/1
<b>Independent Non-Executive Directors</b>		
Dr. Wong Kam Din*	4/4	1/1
Mr. Yung Chung Hing	4/4	1/1
Mr. Lam Chung Wai	4/4	1/1

\* Dr. Wong Kam Din passed away on 6 June 2019.

## CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors in respect of the Shares (the "Code of Conduct"). The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct during the year ended 31 March 2019 and up to the date of this report.

# CORPORATE GOVERNANCE REPORT

## APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Company established its nomination committee. The nomination committee has from time to time identified individuals suitably qualified to become Board members and make recommendations to the Board. The main consideration in selecting candidates for directorships is whether their characters, qualifications and experiences are appropriate for the businesses of our Group. Each of the executive directors has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date and until terminated by either the Company or the Directors giving to the other not less than three months' notice in writing in accordance with the terms of the contract. Each INED was appointed under a letter of appointment for a fixed term of three years initially commencing from the Listing Date shall terminate on whenever is the earlier of (i) the date of expiry of the period; (ii) ceasing to be a director for any reason pursuant to the Articles of Association of the Company or any other applicable law; or (iii) either party giving at least one month's notice in writing.

In accordance with Article 108(a) of the Articles of Association of the Company, at each AGM one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. Particulars of Directors seeking re-election at the forthcoming AGM are set out in the related circular to shareholders.

## CONTINUOUS PROFESSIONAL DEVELOPMENT

Our Group acknowledges the importance of continuing professional development for the Directors for better corporate governance and internal control system. In this regard and in compliance with code provision A.6.5 of the CG Code, our Group has provided funding to all Directors to participate in continuous professional development organised in the form of in-house training and seminars to keep them refreshed of their knowledge and skills and understanding of our Group and its business to update their skills and knowledge on the latest development or changes in the relevant statutes, the GEM Listing Rules and corporate governance practices.

Pursuant to the code provision A.6.5 of the CG Code, during the year ended 31 March 2019, all Directors had participated in continuous professional development in the following manner:

<b>Name of Director</b>	<b>Attending training on Director's responsibilities provided by the Company's legal consultant</b>	<b>Reading materials issued during the training session</b>
<b>Executive Directors</b>		
Mr. Poon Ken Ching Keung	✓	✓
Mr. Poon Ching Tong Tommy	✓	✓
Mr. Ng Kwok Wai	✓	✓
<b>Non-executive director</b>		
Ms. Poon Kam Yee Odilia	✓	✓
<b>Independent non-executive Directors</b>		
Dr. Wong Kam Din*	✓	✓
Mr. Yung Chung Hing	✓	✓
Mr. Lam Chung Wai	✓	✓

\* Dr. Wong Kam Din passed away on 6 June 2019.

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES

Our Group has established three committees, namely audit committee, remuneration committee and nomination committee on 24 January 2018 in compliance with the GEM Listing Rules and to assist the Board to discharge its duties. The relevant terms of reference of each of the three committees can be found on our Group's website ([www.vistarholdings.com](http://www.vistarholdings.com)) and the website of the Stock Exchange.

## AUDIT COMMITTEE

An audit committee has been established with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and code provisions C.3.3 and C.3.7 of the CG Code. During the year ended 31 March 2019, the audit committee comprised three members, namely Dr. Wong Kam Din, Mr. Yung Chung Hing and Mr. Lam Chung Wai, all being INEDs. Mr. Yung Chung Hing currently serves as the chairman of the audit committee. Dr. Wong Kam Din, who was a member of audit committee, passed away on 6 June 2019. The audit committee is comprised of 2 members currently.

The committee is to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of our Group, and as to the adequacy of the external and internal audits.

With reference to the terms of reference, the primary duties of the audit committee, among others, are as follow:

- (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve and review the remuneration and terms of engagement of the external auditors;
- (b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (c) to develop and implement policy on engaging an external auditor to supply non-audit services;
- (d) to monitor the integrity of financial statements and the annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgments contained in them;
- (e) to discuss the internal control system with management of our Group to ensure that the management of our Group has performed its duty to have an effective internal control system; and
- (f) to develop and review our Group's policies and practices on corporate governance and make recommendations to the Board and monitor our Group's policies and practices on compliance with legal and regulatory requirements.

The members of the audit committee should meet at least twice a year. The meeting of the audit committee were held on 20 June 2018, 7 August 2018, 8 November 2018 and 31 January 2019 during the year ended 31 March 2019.

During the year, the Audit Committee has reviewed the accounting principles and practices adopted by the Group and has discussed with the senior management regarding the auditing, internal control and financial reporting matters.

Our Group's audited annual results in respect of the year ended 31 March 2019 have been reviewed by the audit committee. There was no disagreement between the Board and the audit committee regarding selection and appointment of the external auditors during the year ended 31 March 2019.

## CORPORATE GOVERNANCE REPORT

### REMUNERATION COMMITTEE

A remuneration committee has been established with its terms of reference in compliance with code provision B.1.2 of the CG Code. During the year ended 31 March 2019, the remuneration committee comprised three members, namely Mr. Ken Poon, the executive Director and Chief Executive Officer, Mr. Yung Chung Hing and Dr. Wong Kam Din, being the independent non-executive Directors. Dr. Wong Kam Din, who served as the chairman of the remuneration committee, passed away on 6 June 2019. The remuneration committee is comprised of 2 members currently.

The remuneration committee is obliged to report to the Board on its decisions or recommendations. With reference to the terms of reference of remuneration committee, the primary duties, among others, are as follow:

- (a) to formulate remuneration policy for the approval of the Board;
- (b) to make recommendations to the Board on our Group's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (c) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (d) to determine, with delegated responsibility or make recommendations to the Board on the remuneration packages of individual executive Directors and senior management of our Group;
- (e) to make recommendations to the Board on the remuneration of non-executive Directors;
- (f) to review and approve compensation payable to executive Directors and senior management of our Group for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- (g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- (h) to consider the performance bonus for executive Directors, senior management and general staff, having regard to their achievements against the performance criteria and by reference to market norms, and make recommendations to the Board.

The members of the remuneration committee should meet at least once a year. The meeting of the remuneration committee were held on 20 June 2018 and 8 November 2018 during the year ended 31 March 2019. The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the year ended 31 March 2019.

# CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE

A nomination committee has been established with its terms of reference in compliance with paragraph A.5.2 of the CG Code. During the year ended 31 March 2019, the nomination committee of our Group comprised Mr. Ken Poon, the executive Director and Chairman, Dr. Wong Kam Din and Mr. Lam Chung Wai, the independent non-executive Directors. Mr. Ken Poon currently serves as the chairman of the nomination committee. Dr. Wong Kam Din, who was a member of nomination committee, passed away on 6 June 2019. The nomination committee is comprised of 2 members currently.

The nomination committee is obliged to report to the Board on its decisions or recommendations. With reference to the terms of reference of nomination committee, the primary duties, among others, are as follow:

- (a) to formulate nomination policy for the Board's consideration and implement the Board's approved nomination policy;
- (b) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement our Group's corporate strategy;
- (c) to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- (d) to receive nominations from Shareholders or Directors when such are tendered and to make recommendations to the Board on the candidacy of the nominees, having regard to the Board's compositional requirements and suitability of the nominees;
- (e) to assess the independence of independent non-executive Directors and review the independent non-executive Directors' confirmations on their independence; and make disclosure of its review results in the corporate governance report;
- (f) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the chief executive officer of our Group; and
- (g) regularly review the contribution required from a Director to perform his/her responsibilities to our Group, and whether he/she is spending sufficient time performing them.

### Board Nomination Policy

Selection and appointment of new directors will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background, educational background, ethnicity, professional ethnicity, skills, knowledge, length of services and such qualities and attributes that may be required by the Board. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

## **CORPORATE GOVERNANCE REPORT**

In assessing the suitability of the candidate to the Board regarding the appointment or re-appointment of any existing Director(s), the Nomination Committee will consider the following factors:

- (a) commitment for responsibilities of the Board in respect of available time and effort;
- (b) qualifications, including accomplishment and experience in the relevant industries the Company's business is involved in;
- (c) reputation for integrity;
- (d) experience in the Company's principal business and/or the industry in which the Company operates;
- (e) in the case of an independent non-executive Director, the independence requirements set out in the GEM Listing Rules; and
- (f) diversity in aspects including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and the number of directorships in other listed/public companies, and in the case of independent non-executive Directors, the length of service, where an independent non-executive Director serving more than nine years could be relevant to the determination of a non-executive Director's independence.

### **Director Nomination Procedures**

The Nomination Committee shall convene a meeting to invite nominations of candidates from Directors (if any) or it may also nominate candidates for its consideration. The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks. Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The members of the nomination committee should meet at least once a year. The meeting of the nomination committee was held on 20 June 2018 during the year ended 31 March 2019. The Nomination Committee has reviewed the Board Diversity Policy including its purpose, vision, policy statement, measurable objectives, monitoring and reporting procedures. The Nomination Committee has also reviewed the structure, size and composition of the Board and made according recommendations related to its re-election.

### **AUDITORS' REMUNERATION**

BDO Limited is appointed as the external auditor of the Group.

## CORPORATE GOVERNANCE REPORT

For the year ended 31 March 2019, the remuneration paid or payable to BDO Limited in respect of audit and non-audit services provided is set out below:

Services rendered	Remuneration paid/payable (HK\$'000)	
	2019	2018
<b>Audit services:</b>		
2019 annual audit	880	858
Acting as reporting accountant in relation to the Listing	-	2,668
	<b>880</b>	<b>3,526</b>

### COMPANY SECRETARY

Mr. Or Sek Hey Seky was appointed as the company secretary of the Company on 24 January 2018. Please refer to the section "Biographical Details of Directors and Senior Management" for his biographical information. During the reporting period, Mr. Or Sek Hey Seky has undertaken not less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules.

### COMPLIANCE OFFICER

Mr. Ken Poon, an executive director, Chief Executive Officer and one of the Controlling Shareholders of our Group, was appointed as the compliance officer of the Company on 27 June 2017. Please refer to the section "Biographical Details of Directors and Senior Management" for his biographical information.

### RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems and reviewing their effectiveness. The Board is also responsible for overseeing the design, implementation and monitoring of the risk management and internal control systems. The risk management and internal control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operating systems or in achievement of the Group's business objectives.

The Board, through the Audit Committee, has conducted an annual review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 March 2019, covering the material financial, operational and compliance controls, which are considered effective and adequate. The Audit Committee has reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit and financial reporting functions on an annual basis. Significant issues in the management letters from both internal and external auditors will be brought to the attention of the Audit Committee to ensure that prompt remedial action is taken. All recommendations will be properly followed up to ensure they are implemented within a reasonable period of time.

During the year ended 31 March 2019, the Group have engaged independent professionals to assess and review our overall risk management system, internal controls and operation processes and have given recommendations to make any enhancement. It has been reported that there are no material deficiencies found.

## CORPORATE GOVERNANCE REPORT

Under the enterprise risk management framework, policies and procedures are in place to identify, assess, manage, control and report risks. Such risks include strategic, credit, operational (administrative, system, human resources, tangible and reputation), market, liquidity, legal and regulatory risks. Exposure to these risks is continuously monitored by the Board through the Audit Committee.

In specific, the risk management process of the Group is described as follows:

- Risk identification – identify the current risks confronted.
- Risk analysis – conduct analysis on the risks including the impact extent and possibility of occurrence. The risk scoring and prioritization process is then performed.
- Risk response – choose proper risk response methods and develop risk mitigation plans.
- Control measures – propose up-to-date internal control measures and policy and process.
- Risk control – continuously monitor the risks identified and implement relevant internal control measures to ensure the effective operation of the risk response plans.
- Risk Monitoring and Reporting – enable the Board, the Audit Committee and division head to determine whether the risk mitigation plans are functioning properly. It is to ensure the plans are properly communicated to those responsible for taking actions to address them effectively.

The risk management and internal control mechanism also includes a defined management structure with specified limits of authority. The Board has clearly defined the authorities and key responsibilities of each division to ensure adequate checks and balances. The captioned mechanism has been designed to safeguard the Group's assets against unauthorised use or disposition, to ensure the maintenance of proper accounting records for producing reliable financial information; and to ensure compliance with applicable laws, regulations and industry standard.

In addition, the Company's Internal Audit Function monitors the Group's internal governance and strives to provide objective assurance to the Board that appropriate, adequate and effective risk management and internal control systems are in place. It has unrestricted access to review all aspects of the Group's activities and internal controls. It also conducts special audits of areas of concern identified by management or the Audit Committee. The Internal Audit Function adopts a risk-based audit approach. All audit reports are circulated to the Audit Committee and key management. The Internal Audit Function is also responsible for following up the implementation of recommendations and corrective actions.

During the year under review, the Audit Committee, as delegated by the Board, discussed the risk management and internal control systems for the financial year under review with management to ensure that management has performed its duty to have an effective risk management and internal control systems in place. The Board ensured that the resources, staff qualifications and experience, training programmes and the budget of the Group's accounting, internal control and financial reporting functions were adequate. The Board concluded that in general, the Group had set up control environment and installed necessary control mechanisms to monitor and correct non-compliance or material internal control defects, if any. No significant areas of concern that may affect the financial, operational, compliance controls, and risk management functions of the Group have been identified.

### **Procedures and internal controls for the handling and dissemination of inside information**

The Group has developed a Inside Information Policy for the handling and dissemination of inside information. The policy is compiled with the relevant applicable requirements of the SFO and the GEM Listing Rules in respect of dissemination of inside information. The Group has disclosed inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided for in the SFO. Before the information is fully disclosed to the public, the Group ensures that the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements and other public disclosures are not false or misleading as to a material fact or as a result of the omission of a material fact by presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

## **CORPORATE GOVERNANCE REPORT**

### **DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS**

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of our Group that give a true and fair view of the state of affairs, results and cash flows of our Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the GEM Listing Rules. As at 31 March 2019, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon our Group's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

The responsibility of the external auditors is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders. The independent auditor's report by external auditors, BDO, about their reporting responsibility on the consolidated financial statements of our Group is set out in the independent auditor's report on pages 51 to 54 of this report.

### **DIVIDEND POLICY**

The Board had adopted and established a set of dividend policy. The Company currently does not have a pre-determined dividend payout ratio. Any declaration, payment and amount of dividend in the future are subject to the Board's sole discretion having regard to the Group's actual and expected financial performance, working capital requirements and future expansion plans, general economic and market conditions and other factors that the Board deems appropriate.

### **SHAREHOLDERS' RIGHTS**

The AGM is an opportunity for the Board and the Shareholders to communicate directly and exchange views concerning the affairs and overall performance of our Group, and its future developments.

At the AGM, the Directors (including the INEDs) are available to attend to questions raised by the Shareholders. The external auditors of the Company is also invited to be present at the AGM to address the queries of the Shareholders concerning the audit procedures and the auditors' report.

Enquiries to the Board or the Company may be sent by post to the Company's head office and principal place of business in Hong Kong. Information about the head office and principal place of business in Hong Kong of the Company is set out in the section headed "Corporate Information".

### **PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING AND PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS**

The following procedures for the Shareholders to convene an extraordinary general meeting are subject to the Article 64 of the Articles of Association of the Company, and the applicable legislation and regulation, in particular the GEM Listing Rules:

The Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders may also use this same method to put forward proposals for the general meeting.

## **CORPORATE GOVERNANCE REPORT**

### **PROCEDURES FOR RAISING ENQUIRIES**

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong share registrar (details of which are set out in the section headed "Corporate Information" of this report).

Should there are any enquiries and concerns from Shareholders, they may send in written enquiries addressed to the head office and principal place of business of the Company in Hong Kong at Unit 2, 13/F., Tak King Industrial Building, 27 Lee Chung Street, Chai Wan, Hong Kong, by post for the attention of the Board and/or the Company Secretary. Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

### **Investor Relations**

The Company has established a range of communication channels between itself and its Shareholders, and investors. These include answering questions through the annual general meeting, the publication of annual, interim and quarterly reports, notices, announcements and circulars, the Company's website at [www.vistarholdings.com](http://www.vistarholdings.com) and meetings with investors and Shareholders. News update of our Group's business development and operation are also available on the Company's website.

### **Significant Changes in Constitutional Documents**

Save for the adoption of the amended and restated Memorandum and Articles of Association of the Company for the purpose of the listing of the Shares on the GEM of the Stock Exchange, during the Reporting Period, there had been no significant changes in the constitutional documents of the Company.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## INTRODUCTION OF REPORTING

Vistar Holdings Limited (the “Company”), together with its subsidiaries (the “Group” or “we”) is an established electrical and mechanical (“E&M”) engineering service provider in Hong Kong, specialising in installation, maintenance, alteration and addition works of fire service systems. Unless specified, this Environmental, Social and Governance Report (the “ESG Report”) encompasses the most significant environmental, social and governance (“ESG”) impacts contributed by the Group operations in Hong Kong.

This ESG Report summarizes the ESG initiatives, plans and performances of the Group and demonstrates its commitment to sustainability development.

The Group adheres to the management policies of sustainable ESG development. The Group is also committed to handling the Group’s ESG affairs effectively and responsibly, which is integrated as one of the core components of our business strategy as the Group believes that this is the key to our continuous success in the future.

### The ESG Governance Structure

The Group conducts a top-down management approach regarding our ESG issues. The Board of Directors (the “Board”) oversees and sets out ESG strategies for the Group. It is also responsible for ensuring the effectiveness of the Group’s risk management and internal controls.

In order to have a systematic management of the Group’s ESG issues, the Group has set up an ESG working taskforce (the “Taskforce”) composed of staff from relevant departments. The Taskforce is responsible to collect relevant ESG data and compile the ESG Report. It would periodically report to the Board, assisting in the assessment and identification of the Group’s ESG risk management, and evaluating the implementation and effectiveness of the internal control system. It also reviews the Group’s ESG performance, including environmental aspects, employment and labour practices and other ESG issues.

## SCOPE OF REPORTING

This ESG Report covers the Group’s business activities in E&M engineering service, specialising in installation, maintenance, alteration and addition works of fire service systems. The ESG key performance indicator (“KPI”) data is gathered and included under the Group’s direct operational control companies and subsidiaries located in the offices at Chai Wan district and Tsim Sha Tsui district. The Group will extend the scope of disclosures when and where applicable. The KPIs are shown in the report as well as supplemented by explanatory notes to establish benchmarks.

## REPORTING FRAMEWORK

The ESG Report has been prepared in compliance with all applicable provisions set out in the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) contained in Appendix 20 of the GEM Listing Rules of the Stock Exchange of Hong Kong Limited.

For the Group’s corporate governance practices, please refer to 25 to 36 for the section “Corporate Governance Report” contained in the Group’s Annual Report 2018/19.

## REPORTING PERIOD

The ESG Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 March 2019 (the “Reporting Period” or “FY2019”).

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## STAKEHOLDER ENGAGEMENT

The Group values its stakeholders and their feedback regarding our businesses and ESG aspects. In order to understand and address their key concerns, The Group has maintained close communication with our key stakeholders, including but not limited to shareholders and investors, customers and business partners, employees, suppliers and subcontractors, regulatory bodies and government authorities, as well as media, non-governmental organization (“NGO”) and the public.

The Group takes stakeholders’ expectations into consideration in formulating its businesses and ESG strategies by utilising diversified engagement methods and communication channels, shown as below:

Stakeholders	Expectations and Concerns	Communication Channels
Shareholders and investors	<ul style="list-style-type: none"> <li>Return on investment</li> <li>Corporate governance</li> <li>Business compliance</li> </ul>	<ul style="list-style-type: none"> <li>General meeting and other shareholder meetings</li> <li>Annual Reports, Interim Reports and Quarterly Reports</li> <li>Announcements and Circulars</li> <li>Company website</li> </ul>
Customers and business partners	<ul style="list-style-type: none"> <li>High quality products and services</li> <li>Protect the rights of customers</li> </ul>	<ul style="list-style-type: none"> <li>Service Improving Team</li> <li>Customer Support Hotline and Email</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Employees’ compensation and benefits</li> <li>Career development</li> <li>Health and safety working environment</li> </ul>	<ul style="list-style-type: none"> <li>Trainings, Seminars and Briefing Sessions</li> <li>Regular Performance Reviews</li> </ul>
Suppliers and subcontractors	<ul style="list-style-type: none"> <li>Supplier Appointment</li> <li>Sustainable supply chain</li> </ul>	<ul style="list-style-type: none"> <li>Subcontractors Management</li> <li>Supplier Audit</li> </ul>
Regulatory bodies and government authorities	<ul style="list-style-type: none"> <li>Compliance with laws and regulations</li> <li>Support economic development</li> </ul>	<ul style="list-style-type: none"> <li>Company Secretary</li> <li>Compliance Manager</li> <li>On-site Inspections</li> <li>IT Audit Manager</li> <li>Project Manager of Regulatory Bodies</li> </ul>
Media, NGO and the public	<ul style="list-style-type: none"> <li>Involvement in communities</li> <li>Business compliance</li> <li>Environmental protection awareness</li> </ul>	<ul style="list-style-type: none"> <li>Community Investment Activities and Partner Programs</li> <li>Media</li> <li>ESG Report</li> </ul>

The Group aims to collaborate with its stakeholders to improve its ESG performance and create greater value for the wider community on a continuous basis.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## CONTACT US

The Group welcomes stakeholders to provide their opinions and suggestions. You can provide valuable advices in respect of the ESG Report or our performances in sustainable development by email: [info@vistarholdings.com](mailto:info@vistarholdings.com).

## MATERIALITY ASSESSMENT

The Group has considered feedback from the relevant stakeholders in determining the Group's material ESG issues to be covered in this ESG Report. These are shown in the table below, together with the aspects of the ESG Reporting Guide to which they relate:

Exhaust Gas and Greenhouse Gas ("GHG") Emissions	Waste Management	Energy Conservation
Water Conservation	Indoor Air Quality	Minimising Environmental Impact of Project
Green Procurement Strategies	Recruitment and Promotion	Compensation and Dismissal
Working Hours and Rest Periods	Diversity, Equal Opportunity and Anti-discrimination	Risk Assessment
Occupational Safety and Health Accountability Mechanism	Safety Training	Orientation and Induction Training
Professional Training and Skill Development	Prevention of Child and Forced Labour	Supplier Appointment
Fair and Open Procurement	Quality Assurance	Protection of Customers' Information and Privacy
Protection of Intellectual Property Rights	Advertising and Labelling	Anti-corruption
Whistle-blowing Policy	Community Participation	Social Responsibility Education

As at the year ended 31 March 2019, the Group confirmed that it has established appropriate and effective risk management policies and internal control systems for ESG issues and confirmed that the disclosed contents are in compliance with the requirements of the ESG Reporting Guide.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## SUSTAINABILITY PERFORMANCE OVERVIEW

Emissions	Unit	FY2019	FY2018
<b>Environmental</b>			
<b>Solid Waste</b>			
Hazardous Waste	kg	<b>0</b>	0
Hazardous Waste Intensity	kg per employee	<b>0</b>	0
Non-hazardous Waste	kg	<b>2,290.23</b>	2,559.40
Non-hazardous Waste Intensity	kg per employee	<b>23.86</b>	28.76
<b>GHG Emissions<sup>1</sup></b>			
Total GHG Emissions	tonnes CO <sub>2e</sub>	<b>72.74</b>	73.93
Direct Emissions (Scope 1)	tonnes CO <sub>2e</sub>	<b>38.61</b>	40.05
Energy Indirect Emissions (Scope 2)	tonnes CO <sub>2e</sub>	<b>34.13</b>	33.88
Emission Intensity	tonnes CO <sub>2e</sub> per employee	<b>0.76</b>	0.83
<b>Energy used</b>			
Electricity	kWh	<b>46,744.00</b>	46,077.00
Electricity Intensity	kWh per employee	<b>486.92</b>	517.72
Unleaded Petrol (Mobile Source)	litre	<b>11,385.33</b>	14,262.67
Unleaded Petrol Intensity	litre per employee	<b>118.60</b>	160.25
Diesel Oil (Mobile Source)	litre	<b>3,025.73</b>	2,857.34
Diesel Oil Intensity	litre per employee	<b>31.52</b>	32.10
<b>Water Consumption</b>			
Water	m <sup>3</sup>	<b>59.00</b>	59.00
Water Intensity	m <sup>3</sup> per employee	<b>0.61</b>	0.66

Remarks:

Note 1: As at 31 March 2019, the Group had 96 employees working in the offices at Chai Wan and Tsim Sha Tsui. The data is also used for calculating other intensity data.

Note 2: For packaging materials, they are not consumed in large quantity during the Group's business operation. According to KPI A2.5 "Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced." of the Guide set by HKEX, this requirement is not applicable to the Group.

<sup>1</sup> GHG emissions data is presented in carbon dioxide equivalent and was in reference to, including but not limited to, the reporting requirements of the "GHG Protocol Corporate Accounting and Reporting Standard" issued by the World Resources Institute and the World Business Council for Sustainable Development, the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes)" and the Sustainability Report 2018 published by the Hong Kong Electric Investments Limited and CLP Power Hong Kong, "Global Warming Potential Values" from the IPCC Fifth Assessment Report (AR5), 2014.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A. ENVIRONMENTAL

### A1. Emissions

#### General Disclosure and KPIs

The Group recognises its responsibilities towards the potential direct and indirect negative environmental impacts associated with our business operations.

By integrating environmental consideration into our decision-making processes, the Group embraces its responsibilities to create an environmental sustainable business. This is achieved through implementing measures that promote energy conservation, waste reduction and any other green initiatives across sourcing fire service systems and provide E&M engineering service. The Group is also committed to educating our employees to raise their awareness on environmental protection and complying with the relevant environmental laws and regulations.

In order to enhance our environmental governance practice and mitigate the environmental impacts produced by the Group's operations, The Group has adopted and implemented relevant environmental policies and have communicated such policies to our employees. These policies apply the waste management principle of "reduce", "reuse", "recycle" and "replace" as well as emission mitigation principle, with an objective of minimising the adverse environmental impacts and ensure the waste disposal or emission generated is conducted in an environmentally responsible manner.

The Group has maintained the certification of ISO 14001 Environmental Management System for consecutive years, which manifested the Group's efforts dedicated to the green operation. Apart from the regular review and adjustment made to existing measures, the Group also appointed external consultants to assess the relevant environmental matters for ensuring the compliance of the Group's environmental management strategy.

In conclusion, related to Emission and Waste Management, the Group has adopted various carbon reduction measures during the Reporting Period to effectively manage the impact from Emissions and Waste Management.

During the Reporting Period, the Group has not identified any material non-compliance of environmental laws and regulations relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the Group.

#### *Exhaust Gas and GHG Emissions (KPI A1.1, KPI A1.5)*

##### Exhaust Gas

Due to the Group's business nature, the Group considers the relevant air emission generated from the installation of fire service system is not significant and from vehicles is limited. However, the Group still strives to mitigate the exhaust gas generated from its operation as much as possible.

##### GHG Emissions (KPI A1.2)

Electricity used in office and petrol and diesel consumption in vehicles remained the largest sources of GHG emissions of the Group. The Group has adopted the following measures in order to reduce the emissions by:

- Considering using local suppliers first so as to reduce the unnecessary travel and transportation;
- Engaging the majority of the Group's construction projects in "BEAM Plus" certification to minimize the impact to environment;

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Changing the car type from full fuel-type to petrol electric hybrid type which have significantly lowered the petrol usage; and
- Applying biodegradable engine oil which can increase the life span of vehicles as well as reducing the parts of repairment required.

By taking the above measures, GHG emissions have been reduced by 1.19 tCO<sub>2</sub>e from 73.93 tCO<sub>2</sub>e in FY2018 to 72.74 tCO<sub>2</sub>e in FY2019. It demonstrated the employees are more aware on GHG's impact to the environment. Consumption of electricity is accounted as the major source of indirect GHG emission. The Group has implemented measures as stated in "Energy Conservation" of Aspect A2 below in order to reduce energy consumption, and thereby minimizing GHG emissions.

### *Waste Management (KPI A1.1, KPI A1.5, KPI A1.6)*

#### *Hazardous waste handling method (KPI A1.3)*

Due to the Group's business nature, the Group did not generate hazardous wastes during the Reporting Period, the Group has established guidelines of governing the management and disposal of hazardous wastes. In case there are any hazardous wastes produced, the Group was certified to use government waste disposal facilities, which is complied with the relevant environmental regulations and rules.

As the Group is providing installation, alteration and addition works as well as maintenance of fire services system instead of the chemically producing company, it does not directly produce hazardous wastes (such as medical wastes) during its operations.

#### *Non-hazardous waste handling method (KPI A1.4)*

The Group adheres to the 4Rs waste management principle of "Reducing, Reusing, Recycling and Replacing" and strives to properly manage and dispose wastes produced by its business activities as per established guidelines. The waste management practice has complied with the relevant laws and regulations relating to environmental protection. The non-hazardous wastes generated by the Group's operations mainly consist of paper, ink cartridges and other types of office stationaries.

The Group strictly abides by the laws and regulations from the Environmental Protection Department of Hong Kong Special Administration Region regarding the construction projects. The Project Environmental Plan is set by the Group to persists on the 4Rs waste management principle and has established guidelines for classification of hazardous and non-hazardous wastes, as well as the guideline for handling of hazardous wastes, also request the Group's employees to strictly abide and implement.

Our staff and the assigned administrative staff in the workplace collectively take the responsibilities for the waste management in our offices, in reference to the established environmental policies, including but not limited to the following:

- Encourage staff to communicate via electronic network;
- Promote upcycling, recycling and the use of recycled paper and toner or environmental friendly materials by putting recycling bins in offices;
- Provide the waste classification boxes for processing the recyclables;

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Use both sides of paper in printers or faxes or photocopiers and collection box for one-side-used papers;
- Reduce the number of printings by using the Enterprise Resource Planning ("ERP") system and review before printing out;
- Minimize waste wherever feasible; and
- Sort recycled waste into appropriate receptacles, educating employees on sorting methods if needed.

The employee's awareness of waste management has been increased through these waste management reduction measures evidenced by the decrease in non-hazardous waste of 269.17 kg from 2,559.40 kg in FY2018 to 2,290.23 kg in FY2019. The Group has also conducted the inspection monthly through the Environmental Monthly Office Inspection Checklist.

### Wastewater

Due to the Group's business activities, the Group has subcontracted out the construction projects to its main contractors. Therefore, it does not generate material portion of wastewater.

The Group strictly complies with the relevant laws and regulations including but not limited to *Air Pollution Control Ordinance*, *Water Pollution Control Ordinance* and *Building (Demolition Works) Regulations*.

## A2. Use of Resources

### General Disclosure and KPIs

The Group continues with initiatives to introduce resource efficiency and eco-friendly measures to the Group's operations, and is committed to optimising the use of resources in all of its business operations.

During the operations, electricity and water are frequently consumed, and the Group has established relevant policies and procedures in governing the efficient use of resources, in reference to the objective of achieving higher energy and water efficiency as well as reducing the unnecessary use of materials.

### Energy Conservation (KPI A2.1, KPI A2.3)

The Group has set a role model for corporate social responsibility through the adherence to the business philosophy of "Green Construction and Energy Conservation". In response to the Energy Conservation Plan of the Environment Bureau, the Group has participated in the Energy Saving Charter 2018 on Indoor Temperature, and pledged to maintain the indoor temperature between 24-26°C for cost reduction in terms of less electricity consumption in workplace in the long run. Meanwhile, the Group continues to access and evaluate the latest environmental news and trends for optimizing existing services, and thereby reducing environmental pollution. The Group's offices has taken the following energy conservation measures to reduce energy consumption:

- Controlled the air-conditioning systems and maintain offices indoor temperature at 24-26°C;
- Turned off unnecessary air-conditioners, lighting, computers, printers, photocopiers and electrical appliances during non-office hours;

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Posted signage such as “Please turn off all lights after work”, etc. in the offices; and
- Turned on energy saving mode when computers are idled for 20 minutes or more.

In the long run, the Group will enhance its energy saving management in minimising the usage of lighting, air conditioning and electronic appliances and track its energy consumption regularly in the coming years.

Within our policy framework, the Group is continually looking for different opportunities to pursue environmentally friendly initiatives, enhancing its environmental performance by reducing energy use and use of other resources.

### *Water Conservation (KPI A2.2, KPI A2.4)*

The Group does not consume significant amount of water in its business activities due to its business nature. Regardless of limited water consumption, the Group has posted the signage of “water saving” for reminding and enhancing employees’ environmental awareness. The Group also encourages its employees to better utilize water whenever possible in order to foster a culture of conserving water resources.

Due to the Group’s business nature and its operations are mainly based in Hong Kong, the issue in sourcing water that is fit for purpose is not relevant to the Group.

### *Use of Packaging Material (KPI A2.5)*

The Group does not consume any packaging materials for product packaging as it is an E&M engineering service provider and the products and required deliverables have already packed by the suppliers.

## **A3. The Environment and Natural Resources**

### General Disclosure and KPIs

The Group pursues the best practices in environment protection and focuses on the impact of the Group’s businesses to the environment and natural resources. In addition to complying with the relevant environmental laws and regulations as well as properly preserve the natural environment, the Group has integrated the concept of environmental protection into its internal management and daily operations, with the aim of achieving environmental sustainability.

### *Indoor Air Quality (KPI A3.1)*

Indoor air quality in our workplace is regularly monitored and measured. By implementing the No Smoking Policy in the workplace as well as relevant measures specified in the Policy, which resulted in maintaining indoor air quality and filtering out pollutants, contaminants and dust particles.

### *Minimising Environmental Impact of Projects (KPI A3.1)*

In order to control and mitigate the adverse environmental impacts of the projects in our operations, the Group has formulated a series of procedures to assess the environmental risks of the projects in accordance with the standard of ISO 14001 Environmental Management System. Moreover, regular internal audit on the effectiveness and level of compliance of Environmental Management System are carried out annually. The potential environmental risks of the projects include but not limited to air pollution and non-hazardous waste discharge. Relevant measures to mitigate the corresponding environment risks of the projects have been carried out in accordance to the relevant assessment procedures.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Green Procurement Strategies (KPI A3.1)*

The Group has adopted the green procurement philosophy and formulated strategies and executed in the daily operations. The Group is actively advocating green procurement strategies, for example, when evaluating suppliers, the group would also consider green factors such as higher energy efficiency, lower impact to environment or recycled products or even secondhanded equipment. By doing so, the Group would be able to avoid excessive use of natural resources and energy.

## **B. SOCIAL**

### **B1. Employment**

#### *General Disclosure*

Human resources are the foundation in supporting the development of the Group. Hence, the Group has established Employment Policy to fulfil its vision on people-oriented management and realising the full potential of employees. The Employment Policy is formally documented, covering recruitment, compensation, promotion, working hours and rest periods, diversity and equal opportunity, etc. The Group reviews, and if necessary, revises this Policy and its employment practices at least annually to ensure continuous improvements of its employment standards.

During the Reporting Period, the Group was not aware of any material non-compliance with employment and labour practices related laws and regulations that would have a significant impact on the Group.

#### *Recruitment and Promotion*

The Group hires talent through open recruitment, fair and equal competition as well as strict appraisals adherence to a set of clear, transparent and comprehensive recruitment procedures. The assessment criteria are based on the qualifications, personal competence and working experience of the applicants.

Employees of the Group are promoted and rewarded according to their past performance and experience. The promotion of the Group's employees is subject to appraisals and reviews regularly and is irrespective of their genders, ages, nationalities, races, religious or sex orientation.

#### *Compensation and Dismissal*

Any appointment, promotion or termination of recruitment contract should be based on reasonable, lawful grounds and internal policies, such as Employee Handbook. The Group strictly prohibits any kind of unfair or illegitimate dismissals. The management regularly reviews the Group's remuneration and benefits policies in reference to the market standards and is committed to safeguarding the rights and interests of the staff. Remuneration and benefits have been adjusted on an annual basis in accordance with the employees' individual performance, contribution and market conditions. For those who have poor working performance, the Group would warn verbally before issuing a warning letter. For those who commits serious dereliction of duty, or severe violation of local laws and regulations, the Group would dismiss the person according to relevant laws in Hong Kong. The Group also adopts exit interview to collect feedback from resigned employees for continuous improvement.

#### *Working Hours and Rest Periods*

The Group is taking good care about employees' health and monitor the time period of working. In addition to basic paid annual leave and statutory holidays stipulated by the *Employment Ordinance*, employees are also entitled to varies allowances and leaves such as transportation allowance, training allowance and examination leaves. For colleagues living in remote areas, flexible working hours are provided for them.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Diversity, Equal Opportunity and Anti-discrimination*

The Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics, gender or age. The Group has published a Employee Handbook outlining the terms and conditions of employment, expectation for employees' conducts and behaviours, employees' rights and benefits. We establish and implement policies that promote a harmony and respectful workplace. With the aim of ensuring fair and equal protection for all employees, the Group has zero tolerance on sexual harassment or abuse in the workplace in any form.

The Group strictly complies with the relevant laws and regulations including but not limited to the *Employment Ordinance*, the *Mandatory Provident Fund Schemes Ordinance* and the *Minimum Wages Ordinance*.

## **B2. Health and Safety**

### General Disclosure

The Group prides itself on providing a safe, effective and congenial work environment. To achieve this, the Group follows the Occupational Health and Safety Guidelines recommended by Labour Department and Occupational Safety and Health Council, formulated related plans and policies. The Group also takes responsibilities for offices' and construction sites' occupational health and safety and relevant promotions and monitoring.

In order to enhance the employee's health and safety in workplace, the Group is actively introducing suitable plant and equipment, including personnel protective equipments, to mitigate the accidents happened in workplace.

During the Reporting Period, the Group was not aware of any material non-compliance with health and safety-related laws and regulations that would have a significant impact on the Group.

### *Risk Assessment (KPI B2.3)*

In order to control and mitigate the safety risks of the projects in our operations, we have formulated an occupational health and safety plan in advance of each project to assess the safety risks of the projects.

Moreover, regular internal audit on the effectiveness and level of compliance of occupational health and safety management system are carried out on an annual basis. The potential safety risks of the projects include but not limited to aloft work, etc. Relevant measures to mitigate the corresponding safety risks of the projects have been carried out in accordance to the relevant assessment procedures. For examples, provision of different types of protection equipment are provided in accordance with the conditions of the projects.

### *Occupational Health and Safety Accountability Mechanism (KPI B2.3)*

The Group has established Work Instruction regarding the workplace safety which to promote the Group's occupational health and safety performance effectively. The Group has set up the accountability mechanism in respect of the office's and construction sites' occupational health and safety affairs. The Group also appoints a third-party organisation to conduct annual assessment for assuring the quality and effectiveness of the safety management measures. Relevant measures to mitigate the accidents includes conducting safety inspections of site equipments and site environment regularly and corrective measures against the identified risks.

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## *Safety Training (KPI B2.3)*

Employees should attend the training organised by the Group, on occupational safety and environmental control. Emergency and evacuation procedures have been established to response timely and orderly in any major safety accidents. Employees are also free to provide feedback on improving the workplace safety.

The Group strictly complies with the relevant laws and regulations including but not limited to the *Employment Ordinance*, *Employees' Compensation Ordinance* and *Occupational Safety and Health Ordinance*.

## **B3. Development and Training**

### General Disclosure

The Group regards its staff as the most important asset and resource. To cope with fast-moving technology and industry knowledge, the Group provides its staff with training courses for upgrading skills and development as needed.

The Group encourages and supports employees to participate both in personal and professional training to fulfil the needs of emerging technologies and new equipments. The Group also encourages the culture of sharing of knowledge and experience. On the other hand, we provide on-the-job training for the engineers and new employees in the Group.

### *Professional Training and Skill Development*

In order to enhance employees' professional technical skills and let them keep track with the latest updates and knowledge of the modern technology in fire services installation, the Group provides the on-job trainings and organize fire services installation related seminars periodically for its employees. The Group is also dedicated to establishing a professional technical team to raise employees' professional knowledge, techniques and skills.

### *Orientation and Induction Training*

The Group has organised orientation and induction training to the new employees in order to facilitate them to adapt to the Group's work culture and environment, which includes introduction of the Group's background, general practices and briefing of the Employee Handbook. They should then know their benefits and understand their responsibilities at their position in the Group.

## **B4. Labour Standards**

### General Disclosure

The Group complies with the *Employment Ordinance* on the prohibition of using child labor with respect to the employment of youths under 16 years of age and their legal rights.

During the Reporting Period, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations that would have a significant impact on the Group.

### *Prevention of Child Labour and Forced Labour (KPI B4.1, KPI B4.2)*

Child and forced labour are strictly prohibited during the recruitment process. The Group has complied with the *Employment Ordinance*. Personal data are collected during the recruitment process to assist in the selection of suitable candidates and to verify candidates of personal data. The Human Resources Department also ensures identity documents are carefully checked. If violation is discovered, it will be handled strictly according to the policy stated at Group's Employee Handbook.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has complied with all the relevant laws and regulations including but not limited to the *Employment Ordinance* and the *Employment of Children Regulations*.

## B5. Supply Chain Management

### General Disclosure

The Group understands the importance of supply chain management in mitigating the indirect environmental and social risks. The Group is also aware of the environmental and social practices of the suppliers and subcontractors, and tries to engage suppliers and subcontractors with responsible acts to the society in view of green supply chain management.

### *Supplier Appointment (KPI B5.2)*

In order to ensure that the suppliers and subcontractors have met customers' and the Group's requirements regarding quality, environmental and safety standards, the Group has formulated standards and stringent procedures in selecting suppliers and subcontractors. Suppliers' and subcontractors' environmental and social performances are considered as selection criterions for establishing long-term relationship. The project directors maintain an approved list of suppliers and subcontractors. Assessments are carried out on the suppliers and subcontractors by the project directors and managing director on a regular basis. The materials purchased from suppliers and works performed by subcontractors will be checked and monitored on a regular basis. Suppliers or subcontractors may be suspended or removed from the approved list if they fail to fulfil the Group's standards. The supplier relationship may also be terminated in the event of any substantial violation of environmental and labour laws and regulations. The performance of suppliers is examined on a regular basis.

### *Fair and Open Procurement (KPI B5.2)*

The Group has formulated procedures to ensure that the suppliers and the subcontractor could participate in competitions in an open and fair way. The Group should not have differentiated or discriminated treatment on certain suppliers and subcontractors. It would strictly monitor and prevent all kinds of business bribery. Employees or personnel having any conflict of interest relationship with the supplier should not be involved in the related business activity.

## B6. Product Responsibility

### General Disclosure

It is believed that to maintain high quality standard for projects are the utmost important for sustainable growth of the Group. Completed works that meet or exceed our customer's requirements is crucial not only for building safety, but also for job reference and future business opportunities. In order to ensure that the Group delivers high quality services and sustainable projects to its customers, the process of projects is controlled and monitored regularly with ISO 9001 Quality Management System which demonstrates our Group's commitment to our clients as well as our promise to service quality standard.

During the Reporting Period, the Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group, concerning health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Quality Assurance (KPI B6.4)*

With Quality Management System in accordance with the requirements of ISO 9001, the Group has developed a sustainable performance-oriented culture to pursue continuous improvement on quality rather than adopting a short-term and project-based approach. To pursue further improvement, the Group has developed customer satisfaction review for evaluating the performance of customer service. In event of anomalies in quality and safety aspects of the delivered service, the Group will immediately conduct investigation to find out the cause, and adopt appropriate measures to minimise its impacts.

## *Protection of Customers' Information and Privacy (KPI B6.5)*

To protect customer personal data and confidential documents, the Group strictly complies with the Hong Kong *Personal Data (Privacy) Ordinance*. The IT system and server of the Group are properly protected by security system and only authorized persons with passwords can access such information.

During the Reporting Period, the Group did not receive any significant complaint regarding the breach of customer's privacy or loss of customer's information.

## *Protection of Intellectual Property Rights (KPI B6.3)*

To protect the intellectual property rights, the Group complies with relevant industry standards and specifications and the Group will only purchase genuine products under our procurement policy.

## *Advertising and Labelling*

The Group has formulated the sales and promotion campaigns to strengthen relationships with customers and to ensure the advertisement of its products are truthful, fair and reasonable, and free of misleading elements for protection of the customers' interests.

The Group has been in strict compliance with related laws and regulations in Hong Kong during the Reporting Period, including but not limited to the *Trade Description Ordinance*, *Sale of Goods Ordinance*, *Personal Data (Privacy) Ordinance* and *Supply of Services (Implied Terms) Ordinance* of Hong Kong.

## **B7. Anti-corruption**

### General Disclosure

The Group strives to achieve high standards of ethics in its business operations. It is committed to build up and cultivate a corporate culture with the highest integrity and business ethics. Employees must follow the Code of Conduct on daily operation. Fraudulent events such as corruption, bribery, and collusion are strictly prohibited. Employees should comply with the rules stated in the Employee Handbook in performing business activities, and they should report to the management if they suspect any professional misconduct.

During the Reporting Period, the Group was not aware of any material non-compliance with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering including that would have a significant impact on the Group.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### *Anti-corruption (KPI B7.2)*

The Group does not allow and tolerate any form of corruption. The Group has adopted the Code of Conduct governing anti-corruption for business activities. Regulations are formulated such as:

- Directors and employees should avoid conflicts between personal interests and their professional functions;
- Employees shall declare any conflicts of interest to their corresponding managers; and
- Employees are strictly prohibited from using their powers to influence the Group's decisions and actions, or accessing the Group's assets and information for private or personal benefits.

### *Whistle-blowing Channels (KPI B7.2)*

The Group adopts a whistle-blowing policy for all levels. Employees can raise concerns, in confidence, about possible improprieties such as misconduct and malpractice in any matter related to the Group. Reports and complaints received will be handled in a prompt and fair manner. All cases will be kept at confidential so as to protect the whistle-blowers from unfair dismissal, victimisation and unwarranted disciplinary actions.

The Group strictly complies with the relevant laws and regulations including but not limited to *Anti-Money Laundering and Counter-Terrorist Financing Ordinance, Prevention of Bribery Ordinance, Personal Data (Privacy) Ordinance, and Supply of Services (Implied Terms) Ordinance.*

## **B8. Community Investment**

### General Disclosure

Being a responsible corporate, the Group is committed to embolden and support the public by the means of community participation and contribution to nurture the corporate culture in the daily work life throughout the Group.

During the Reporting Period, the Group donated HK\$1,000 to Hong Chi Association for the Gammon Walkathon to Guangzhou 2018 and HK\$2,000 to Mindset Limited for the CENTRAL Rat Race 2018.

### *Community Participation (KPI B8.1, KPI B8.2)*

The Group participates in various community activities, for example, donations, volunteering services, sponsorships, etc. Apart from active participation in community events to help the needy, the Group also regularly communicates with local charities to understand community's needs. The Group believes it helps to connect us with the local community, and maintain a mutually beneficial relationship to the society as a whole. Since 2013, the Group has been joining the Trainee Subsidy Scheme – "Student to Work Program" to assist the youths for developing strengths and talents. During the Reporting Period, the Group has made donation to Gammon Staff Recreation Club and cooperated with vocational training institutions and human resources consultancy agencies for provision of internship opportunities to students.

### *Social Responsibility Education (KPI B8.1, KPI B8.2)*

The Group encourages employees to participate in charity events, volunteer works, and environmental protection activities in order to make contributions to our society. The Group believes that through personally participating in these activities that contribute to the community, its employees could build up positive value and be socially responsible citizen.

# INDEPENDENT AUDITOR'S REPORT



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香港干諾道中111號  
永安中心25樓

## TO THE SHAREHOLDERS OF VISTAR HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of Vistar Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 55 to 121, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

#### Revenue recognition of provision of construction works and contract assets and liabilities

Refer to Notes 5, 6, 8 and 19 to the consolidated financial statements.

The Group is engaged in the provision of installation work, alteration and addition services of electrical and mechanical engineering systems in Hong Kong (the "Construction Works"). As at 31 March 2019, the Group recorded contract assets and contract liabilities of approximately HK\$88,462,000 and HK\$1,529,000 respectively. The Group recognised revenue on provision of the Construction Works of approximately HK\$359,992,000 for the year ended 31 March 2019.

## INDEPENDENT AUDITOR'S REPORT

The Group recognises revenue of provision of the Construction Works and contract assets or liabilities according to the Group's management's estimation of the total outcome of the construction contracts as well as the input method of the Construction Works which requires the estimation of contract costs and gross profit margin of each contract. Contract costs and gross profit margin of individual contract are determined based on budget of the contract which was prepared by the management. Management is required to exercise significant judgement and estimates in their assessment of the completeness and accuracy of forecast costs to complete and the progress towards complete satisfaction of the performance obligation on individual contract.

### Our response:

During our audit, we conducted the following audit procedures, amongst others, to address this key audit matter:

- (i) Evaluating the estimation of revenue and profit recognised on provision of the Construction Works, on a sample basis, by:
  - Comparing the contract sum and budgeted costs to respective signed contracts and approved budgets;
  - Obtaining an understanding from management and project managers about how the approved budgets were prepared and the progress towards complete satisfaction of the performance obligation was determined;
  - Assessing the reasonableness of key judgements inherent in the approved budgets;
  - Checking the existence and valuation of variations to correspondences with customers; and
  - Checking the management's assessment on the Group's ability to deliver contracts within budgeted timescales by comparing the progress of the contracts against the terms stipulated in the contracts;
- (ii) Assessing the reliability of the approved budgets by comparing the actual outcome against management's estimation of completed contracts on a sample basis;
- (iii) Checking the accuracy of the contract assets or liabilities by comparing the amount of progress billings, on a sample basis, to billings issued to customers; and
- (iv) Assessing the appropriateness of the Group's revenue recognition policy under the requirements of HKFRS 15 by inspecting a sample of representative contracts with customers.

### OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **INDEPENDENT AUDITOR'S REPORT**

### **DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

## INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **BDO Limited**

*Certified Public Accountants*

### **Lam Siu Fung**

Practising Certificate no. P05308

Hong Kong

19 June 2019

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Revenue	8	365,662	279,760
Cost of revenue		(311,010)	(233,966)
Gross profit		54,652	45,794
Other income and gains	9	245	13,914
Administrative and other operating expenses		(26,451)	(19,450)
Listing expenses		-	(16,719)
Finance costs	11	(109)	(106)
<b>Profit before income tax</b>	10	<b>28,337</b>	23,433
Income tax	12(a)	(5,391)	(4,700)
<b>Profit and total comprehensive income for the year</b>		<b>22,946</b>	18,733
<b>Earnings per share – Basic and Diluted (HK cents)</b>	14	<b>1.91 cents</b>	1.99 cents

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK\$'000	2018 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	16	3,052	1,247
Intangible assets	17	585	–
Deferred tax assets	12(b)	1,148	73
		<b>4,785</b>	1,320
<b>Current assets</b>			
Trade and other receivables	18	28,726	51,965
Amounts due from customers of contract work	20	–	50,196
Contract assets	19	88,462	–
Pledged deposits	21	5,339	4,004
Pledged bank deposits	22	490	360
Cash and cash equivalents		62,280	45,799
Total current assets		<b>185,297</b>	152,324
<b>Current liabilities</b>			
Trade and other payables	23	78,085	53,227
Amounts due to customers of contract work	20	–	1,246
Contract liabilities	19	1,529	–
Obligations under finance leases	24	77	–
Bank borrowing, secured	25	1,865	6,460
Income tax payable		99	4,277
Total current liabilities		<b>81,655</b>	65,210
<b>Net current assets</b>		<b>103,642</b>	87,114
<b>Total assets less current liabilities</b>		<b>108,427</b>	88,434
<b>Non-current liabilities</b>			
Obligations under finance leases	24	166	–
Total non-current liabilities		<b>166</b>	–
<b>Net assets</b>		<b>108,261</b>	88,434
<b>Capital and reserves</b>			
Share capital	26	12,000	12,000
Reserves	29	96,261	76,434
<b>Total equity</b>		<b>108,261</b>	88,434

On behalf of the board of directors

**Mr. Poon Ken Ching Keung**  
Executive Director

**Mr. Ng Kwok Wai**  
Executive Director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Share capital (Note 26) HK\$'000	Share premium (Note 29(a)) HK\$'000	Other reserve (Note 29(b)) HK\$'000	Legal reserve (Note 29(c)) HK\$'000	Retained earnings HK\$'000	Total HK\$'000
<b>At 1 April 2017</b>	-	-	2,500	24	36,336	38,860
Profit and total comprehensive income for the year	-	-	-	-	18,733	18,733
<i>Transactions with owners</i>						
Dividend declared (Note 13)	-	-	-	-	(10,000)	(10,000)
Effect of group reorganisation (Notes 29(b))	-	-	36,360	-	(36,360)	-
Capitalisation issue of ordinary shares (Note 26(e))	9,000	(9,000)	-	-	-	-
Issue of ordinary shares upon listing of the Company's shares (Note 26(f))	3,000	48,000	-	-	-	51,000
Expenses incurred in connection with the issue of new ordinary shares (Note 26(f))	-	(10,159)	-	-	-	(10,159)
Total transactions with owners	12,000	28,841	36,360	-	(46,360)	30,841
<b>At 31 March 2018 as originally presented</b>	<b>12,000</b>	<b>28,841</b>	<b>38,860</b>	<b>24</b>	<b>8,709</b>	<b>88,434</b>
Initial application of HKFRS 9 (Note 3(a))	-	-	-	-	(3,119)	(3,119)
<b>Restated at 1 April 2018</b>	<b>12,000</b>	<b>28,841</b>	<b>38,860</b>	<b>24</b>	<b>5,590</b>	<b>85,315</b>
Profit and total comprehensive income for the year	-	-	-	-	22,946	22,946
<b>At 31 March 2019</b>	<b>12,000</b>	<b>28,841</b>	<b>38,860</b>	<b>24</b>	<b>28,536</b>	<b>108,261</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	2019 HK\$'000	2018 HK\$'000
<b>Operating activities</b>		
Profit before income tax	28,337	23,433
Adjustments for:		
Depreciation on property, plant and equipment	864	684
Amortisation of intangible assets	195	–
Gain on disposal of property, plant and equipment	(33)	(12,128)
Bank interest income	(20)	(15)
Impairment/(reversal of impairment) of trade receivables and contract assets, net	3,220	(822)
Finance costs	109	106
Operating profit before working capital changes	32,672	11,258
Decrease/(increase) in trade and other receivables	1,138	(4,100)
Increase in amounts due from customers of contract work	–	(6,555)
Increase in contract assets	(23,120)	–
(Increase)/decrease in pledged deposits	(1,335)	1,597
(Increase)/decrease in pledged bank deposits	(130)	7,871
Increase/(decrease) in trade and other payables	24,858	(30,079)
Decrease in amounts due to customers of contract work	–	(633)
Increase in contract liabilities	283	–
Increase in amount due to a related company	–	1,241
Cash generated from/(used in) operating activities	34,366	(19,400)
Income tax paid	(10,028)	(5,248)
<b>Net cash generated from/(used in) operating activities</b>	<b>24,338</b>	<b>(24,648)</b>
<b>Investing activities</b>		
Net cash inflows from acquisition of a subsidiary (Note 31)	–	7,970
Purchase of property, plant and equipment	(2,669)	(578)
Purchase of intangible assets	(780)	–
Proceeds from disposal of property, plant and equipment	33	1
Decrease in amounts due from directors	–	3,097
Interest received	20	15
<b>Net cash (used in)/generated from investing activities</b>	<b>(3,396)</b>	<b>10,505</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	2019 HK\$'000	2018 HK\$'000
<b>Financing activities</b>		
New bank borrowings obtained	-	3,000
Repayments of bank borrowings	<b>(4,595)</b>	(2,071)
Capital element of finance lease payments	<b>243</b>	(497)
Interest paid on bank borrowings	<b>(95)</b>	(87)
Interest paid on obligations under finance leases	<b>(14)</b>	(19)
Increase in bank overdrafts	-	3,620
Proceeds from new shares issued	-	40,841
Decrease in amount due to a director of a subsidiary	-	(4,300)
<b>Net cash (used in)/generated from financing activities</b>	<b>(4,461)</b>	40,487
<b>Net increase in cash and cash equivalents</b>	<b>16,481</b>	26,344
<b>Cash and cash equivalents at beginning of year</b>	<b>45,799</b>	19,455
<b>Cash and cash equivalents at end of year</b>	<b>62,280</b>	45,799
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank balances and cash	<b>62,280</b>	45,799

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 1. GENERAL INFORMATION

Vistar Holdings Limited (the "Company") was incorporated in the Cayman Islands on 27 June 2017 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as revised and consolidated) of the Cayman Islands and its shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 12 February 2018 (the "Listing"). The Company's registered office is located at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, the Cayman Islands. Its principal place of business is located at Unit 2, 13/F, Tak King Industrial Building, 27 Lee Chung Street, Chai Wan, Hong Kong.

The principal activity of the Company is investment holding. The Company and its subsidiaries ("the Group") are engaged in the provision of installation work, alteration and addition services and maintenance services of electrical and mechanical engineering systems in Hong Kong. As at 31 March 2019, the particulars of the Company's subsidiaries are set as follows:

Name of subsidiary	Place and date of incorporation and type of legal entity	Place of operations	Issued and paid-up capital	Effective interest held by the Company		Principal activities
				Directly	Indirectly	
Guardian Team Limited ("GTL")	Incorporated in the British Virgin Islands on 6 June 2017  Limited liability company	Hong Kong	1 share of US\$1	100%	-	Investment holding
Guardian Fire Engineers and Consultants, Limited ("GFE")	Incorporated in Hong Kong on 1 August 1972  Limited liability company	Hong Kong	HK\$2,500,000	-	100%	Installation work, alteration and addition services, and maintenance services of electrical and mechanical engineering systems in Hong Kong
Guardian Engineering Limited ("GEL")	Incorporated in Hong Kong on 15 May 2000  Limited liability company	Hong Kong	HK\$100,000	-	100%	Installation work, alteration and addition services, and maintenance services of electrical and mechanical engineering systems in Hong Kong

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 2. REORGANISATION AND BASIS OF PRESENTATION

In connection with the Listing, the Company underwent a reorganisation (the “Reorganisation”) to rationalise the Group’s structure and the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the section headed “History, Reorganisation and Corporate Structure” to the prospectus of the Company dated 31 January 2018.

The Group is regarded as a continuing entity resulting from the Reorganisation since the insertion of a new holding company at the top of GFE has not resulted in any change in economic substance and does not involve business combination. Accordingly, the consolidated financial statements have been prepared on a combined basis using the predecessor carrying amounts as if the steps of the Reorganisation for the purposes of establishment of the Company and the insertion of a new holding company at the top of GFE had been completed at the beginning of all the periods presented in these financial statements.

Accordingly, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year ended 31 March 2018 have included the results, changes in equity and cash flows of the companies now comprising the Group from the earliest date presented or since their respective dates of incorporation, whichever was shorter, as if the current group structure had been in existence throughout those years except for the business combination as set out in Note 31. The consolidated statement of financial position of the Group as at 31 March 2018 had been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates except for the business combination as set out in Note 31. No adjustment is made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

## 3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### (a) Adoption of new and revised HKFRSs – effective from 1 April 2018

In the current year, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group’s financial year beginning on or after 1 April 2018.

Annual Improvements to  
HKFRSs 2014-2016 Cycle  
HKFRS 9  
HKFRS 15  
Amendments to HKFRS 15

HK(IFRIC)-Int 22

Amendments to HKFRS 1, First-time Adoption of Hong Kong  
Financial Reporting Standards  
Financial Instruments  
Revenue from Contracts with Customers  
Revenue from Contracts with Customers (Clarifications to  
HKFRS 15)  
Foreign Currency Transactions and Advance Consideration

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### (a) Adoption of new and revised HKFRSs – effective from 1 April 2018 (Continued)

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

The adoption of these amendments has no impact on these financial statements as the periods to which the transition provision exemptions related have passed.

#### HKFRS 9 – Financial Instruments

##### (i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment; and (3) hedge accounting. The adoption of HKFRS 9 from 1 April 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of retained earnings as at 1 April 2018 (increase/(decrease)):

	HK\$'000
<i>Retained earnings</i>	
Retained earnings as at 31 March 2018	8,709
Increase in expected credit losses (“ECLs”) on trade receivables and contract assets (Note (ii) below)	(3,735)
Increase in deferred tax asset of ECLs on trade receivables and contract assets (Note 12(b))	616
	(3,119)
Restated retained earnings as at 1 April 2018	5,590

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss (“FVTPL”), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group’s accounting policies related to financial liabilities. The impact of HKFRS 9 on the Group’s classification and measurement of financial assets is set out below.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### (a) Adoption of new and revised HKFRSs – effective from 1 April 2018 (Continued)

#### HKFRS 9 – Financial Instruments (Continued)

##### (i) Classification and measurement of financial instruments (Continued)

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost (“amortised cost”); (ii) financial assets at fair value through other comprehensive income (“FVTOCI”); or (iii) FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed; and (ii) its contractual cash flow characteristics (the “solely payments of principal and interest” criterion, also known as “SPPI criterion”). Under HKFRS 9, embedded derivative is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVTOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI or FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policy would be applied to the Group’s financial assets:

#### Amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group’s financial assets as at 1 April 2018:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### (a) Adoption of new and revised HKFRSs – effective from 1 April 2018 (Continued)

HKFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 April 2018 under HKAS 39 HK\$'000	Carrying amount as at 1 April 2018 under HKFRS 9 HK\$'000
Trade and other receivables	Loans and receivables (Note (ii)(a))	Amortised cost	30,569	29,734
Contract assets (comprising amounts due from customers of contract work and retention receivables)	Not applicable (Note (ii)(a))	Recognised under HKFRS 15 and subject to impairment provisions under HKFRS 9	70,992	68,092
Pledged deposits	Loans and receivables	Amortised cost	4,004	4,004
Pledged bank deposits	Loans and receivables	Amortised cost	360	360
Cash and cash equivalents	Loans and receivables	Amortised cost	45,799	45,799

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "ECL model". HKFRS 9 requires the Group to recognise ECLs for trade receivables, financial assets at amortised cost and contract assets earlier than incurred loss model under HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; or (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

#### Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

#### Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### (a) Adoption of new and revised HKFRSs – effective from 1 April 2018 (Continued)

HKFRS 9 – Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Impact of the ECL model

(a) Impairment of trade receivables and contract assets

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a lifetime ECLs for all trade receivables and contract assets. To measure the ECLs, trade receivables and contract assets as at 1 April 2018 have been grouped based on shared credit risk characteristics and the days past due.

	ECL rate	Gross carrying amount	Loss allowance
	%	HK\$'000	HK\$'000
Current (not past due)	0.3	80,681	243
0 – 60 days past due	0.6	11,357	65
61 – 90 days past due	3.4	236	8
91 – 180 days past due	0.9	4,724	43
181 – 365 days past due	5.2	737	38
Over 365 days past due	100	4,600	4,600
		102,335	4,997

The increase in loss allowances for trade receivables and contract assets upon the transition to HKFRS 9 as at 1 April 2018 were HK\$835,000 and HK\$2,900,000 respectively. The increase in the loss allowances also led to an increase in deferred tax assets arising from deductible temporary differences of HK\$616,000. The loss allowances for trade receivables and contract assets further increased by HK\$470,000 and HK\$2,750,000 respectively during the year ended 31 March 2019.

(b) Impairment of other receivables

No impairment for other receivables as at 1 April 2018 is recognised as the amount of impairment measured under the ECL model is immaterial.

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECL model are therefore not reflected in the consolidated statement of financial position as at 31 March 2018, but are recognised in the consolidated statement of financial position as at 1 April 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings as at 1 April 2018. Accordingly, the information presented for the prior year does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### (a) Adoption of new and revised HKFRSs – effective from 1 April 2018 (Continued)

#### HKFRS 9 – Financial Instruments (Continued)

The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9.

#### HKFRS 15 – Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method with practical expedients. The Group has recognised the reclassification adjustments at the date of initial application (that is, 1 April 2018). As a result, the financial information presented for the prior year has not been restated.

The following table summarised the impact of adopting HKFRS 15 on the Group’s consolidated statement of financial position as at 31 March 2019. There was no material impact on the Group’s consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31 March 2019.

Impact on the consolidated statement of financial position as of 31 March 2019 (increase/(decrease)):

	HK\$'000
<b>Assets</b>	
<b>Current assets</b>	
Contract assets (Notes (i) and (ii) below)	94,112
Amounts due from customers of contract work (Notes (i) and (ii) below)	(70,400)
Trade and other receivables (Notes (i) and (ii) below)	(23,712)
<b>Total current assets</b>	<b>–</b>
<b>Total assets</b>	<b>–</b>
<b>Liabilities</b>	
<b>Current liabilities</b>	
Contract liabilities (Notes (i) and (ii) below)	1,529
Amounts due to customers of contract work (Notes (i) and (ii) below)	(1,529)
<b>Total current liabilities</b>	<b>–</b>
<b>Total liabilities</b>	<b>–</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### (a) Adoption of new and revised HKFRSs – effective from 1 April 2018 (Continued)

HKFRS 15 – Revenue from Contracts with Customers (Continued)

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group’s various services are set out below:

Note	Services	Nature of the services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 April 2018
(i)	Installation work and alteration and addition services	<p>Installation work involves supplying and carrying out fire prevention system installation work; while alteration and addition services involve provision of alternation and addition services on existing fire prevention system of customers.</p> <p>The Group considers the installation work and alteration and addition services (the “construction work”) provides a distinct and significant integration contract work which are considered a single performance obligation with regard to the contracts. In addition, the performance obligation on the contracts is assessed to be satisfied over time as the Group provides the construction work on customers’ sites which creates an asset that the customers control. As a result, revenue from these contracts is recognised over time during the course of performance of the construction work.</p> <p>The Group measures the progress towards complete satisfaction of performance obligation on the contracts using the input method that is established by reference to the costs incurred up to the reporting date as a proportion of the total estimated costs.</p> <p>Invoices are issued according to the payment certificate approved by customers and the credit term is normally 14 days.</p>	<p>The application of HKFRS 15 did not result in significant impact on the Group’s accounting policies. A contract asset or contract liability is recognised under HKFRS 15 instead of amounts due from customers of contract work and amounts due to customers of contract work respectively under HKAS 11.</p> <p>If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.</p>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### (a) Adoption of new and revised HKFRSs – effective from 1 April 2018 (Continued)

HKFRS 15 – Revenue from Contracts with Customers (Continued)

Note	Services	Nature of the services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 April 2018
(ii)	Maintenance services	<p>Revenue is recognised over time on a straight line basis over the terms of the contracts because the customers receive and consume the benefits as and when the Group provides these services.</p> <p>Invoices for those services are issued either on monthly basis or according to the contractual term. The credit term is normally 14 days.</p>	<p>The application of HKFRS 15 did not result in significant impact on the Group’s accounting policies.</p> <p>A contract asset and a contract liability is recognised under HKFRS 15 as set out in detail under Note (i) above relating to installation work and alteration and addition services.</p>

Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group first adopted HKFRS 15 including the clarifications for the accounting year beginning on 1 April 2018.

HK(IFRIC)–Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretation specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### (b) New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Definition of a Business <sup>2</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>1</sup>
HKFRS 16	Leases <sup>1</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>2</sup>
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments <sup>1</sup>
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2020

#### Amendments to HKFRS 3 – Definition of a Business

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

#### Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at FVTOCI if specified conditions are met – instead of at FVTPL.

The Group does not expect that the adoption of the amendments will have significant impact on the Group’s results and financial position.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### (b) New or revised HKFRSs that have been issued but are not yet effective (Continued)

#### HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 Leases and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Application of HKFRS 16 will result in the Group’s recognition of right-of-use assets and corresponding liabilities in respect of its operating lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed in Note 32 below.

As set out in Note 32, the total future minimum lease payments under non-cancellable operating leases of the Group in respect of office premises as at 31 March 2019 amounted to approximately HK\$2,583,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group’s financial performance but it is expected that the Group has to separately recognise the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group’s operating leases will be required to be recognised in the Group’s consolidated statement of financial position as right-of-use assets and lease liabilities. The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events (e.g. a change in the lease term) and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group’s consolidated statement of cash flows.

#### Amendments to HKAS 1 and HKAS 8 – Definition of Material

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The amendments are not expected to have any significant impact on the Group’s consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### (b) New or revised HKFRSs that have been issued but are not yet effective (Continued)

#### HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The interpretation supports the requirements of HKAS 12 Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, the uncertainty in the determination of tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty.

#### Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12 Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

The Group does not expect that the adoption of the amendments will have significant impact on the Group’s results and financial position.

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. Except for those disclosed above, the Group has concluded that the application of these new pronouncements will have no material impact on the Group’s consolidated financial statements.

## 4. BASIS OF PREPARATION

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRS”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”).

### (b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis.

### (c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company and its subsidiaries.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

### (b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

### (c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The estimated useful lives are as follows:

Leasehold land and buildings	Over the shorter of lease terms or 50 years
Leasehold improvements	Over the shorter of lease terms or 3 years
Furniture and equipment	4 to 5 years
Motor vehicles	4 years
Machineries	4 years

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (c) Property, plant and equipment *(Continued)*

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from the continued use of the asset.

The gain and loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

### (d) Intangible assets

(i) Intangible assets acquired separately are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Amortisation is provided on a straight-line basis over their useful lives as follows. The amortisation expense is recognised in profit or loss and included in administrative expenses. The estimated useful lives are as follows:

Computer system	4 years
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(ii) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts.

### (e) Leasing

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement regardless of whether the arrangement takes the legal form of a lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The land and buildings elements of property leases are considered separately for the purposes of lease classification. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of land and buildings as a finance lease of property, plant and equipment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Leasing (Continued)

- (i) The Group as lessee under finance lease

Where the Group acquires the right to use the assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present values of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases.

Subsequent accounting for assets held under finance lease arrangement corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

- (ii) The Group as lessee under operating lease

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

### (f) Financial instruments (accounting policies applied from 1 April 2018)

- (i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

#### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

**Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (f) Financial instruments (accounting policies applied from 1 April 2018) *(Continued)*

#### (ii) Impairment loss on financial assets

The Group recognises loss allowances for ECLs on trade receivables, contract assets and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets at amortised cost, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (f) Financial instruments (accounting policies applied from 1 April 2018) *(Continued)*

#### (iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. All the Group's financial liabilities are at amortised costs which are initially measured at fair value, net of directly attributable costs incurred.

#### *Financial liabilities at amortised cost*

Financial liabilities at amortised cost including trade and other payables, obligations under finance leases and bank borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

#### (iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

#### (v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### (vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

#### (vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (g) Financial instruments (accounting policies until 31 March 2018)

The Group has applied HKFRS 9 prospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the Group's previous accounting policy.

#### (i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

#### *Loans and receivables*

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, unless the effect of discounting would be immaterial, in which case they are stated at cost, less any identified impairment losses.

#### (ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- a significant or prolonged decline in fair value of an investment below its cost.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (g) Financial instruments (accounting policies until 31 March 2018) *(Continued)*

#### (ii) Impairment loss on financial assets *(Continued)*

##### *Loans and receivables*

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### (iii) Financial liabilities

The Group classifies its financial liabilities depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred, and are subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised in profit or loss.

Gain or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

#### (iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

#### (v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (g) Financial instruments (accounting policies until 31 March 2018) *(Continued)*

#### (vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

#### (vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

### (h) Revenue recognition (accounting policies applied from 1 April 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time:

- When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; and
- When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Revenue recognition (accounting policies applied from 1 April 2018) (Continued)

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

#### Provision of construction works

The Group provides the construction works (installation work and alternation and addition services) based on contracts entered into with customers before commencement of the construction projects. Installation work involves supplying and carrying out fire prevention system installation work; while alteration and addition services involve provision of alternation and addition services on existing fire prevention system of customers. The construction work provides a distinct and significant integration contract work which are considered a single performance obligation with regard to the contracts. In addition, the performance obligation on the contracts is assessed to be satisfied over time as the Group provides the construction work on customers' sites which creates an asset that the customers control. As a result, revenue from these contracts is recognised over time during the course of performance of the construction work. Progress towards complete satisfaction of performance obligation on the contracts is measured using the input method that is established by reference to the costs incurred up to the reporting date as a proportion of the total estimated costs (except where this would not be representative of the stage of completion).

Contract costs incurred comprise cost of materials sourced from outside vendors, engineer cost and other costs of personnel directly engaged in the contracts and where applicable subcontracting cost and attributable overheads.

For warranty included in the construction contracts, the Group accounts for the warranty in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets unless the warranty provides the customer with a service in addition to the assurance that the construction work complies with the agreed-upon specifications.

If at any time the unavoidable costs of meeting contractual obligations are estimated to exceed the remaining amount of the economic benefits expected to be received under the contract, a provision is recognised in accordance with the policy set out in "Onerous contracts" below.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (h) Revenue recognition (accounting policies applied from 1 April 2018) *(Continued)*

#### Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

#### Provision of maintenance services

The Group provides maintenance services based on contracts entered with customers. Under the terms of the contracts, the customers simultaneously receive and consume the benefits as and when the Group provides these services. Accordingly, the Group recognises revenue from maintenance services over time on a straight line basis over the terms of the maintenance contracts.

#### Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration or an amount of consideration is due from the customer.

#### Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) Revenue recognition (accounting policies until 31 March 2018)

Revenue and other income is recognised when it is probable that the economic benefits will flow to the Group and when the income can be measured reliably, on the following basis:

- (i) When the outcome of construction contracts can be estimated reliably, revenue from construction works (installation work and alteration and addition services) is recognised according to the percentage of completion of individual contract at the end of the reporting period.

The stage of completion is determined using percentage of completion method by reference to the contract costs incurred to date as a proportion of the total estimated contract costs.

When the outcome of construction contracts cannot be estimated reliably, no profit is recognised and revenue is recognised only to the extent of contract costs incurred that would probably be recoverable.

Provisions are made for any foreseeable losses when they are identified and recognised immediately as an expense in profit or loss. Variations in contract work, claims and incentive payments are recognised as revenue when it is probable that they will be approved by customers and they can be measured reliably.

Amounts due from customers of contract work represent contract costs incurred plus recognised profits less progress billings and any foreseeable losses. Amounts due to customers of contract work represent the excess of progress billings over contract costs incurred plus recognised profits less any foreseeable losses. Costs mainly comprise materials, direct labour and sub-contractors' fees. Costs incurred during the period in connection with future activity of a contract are recognised as amounts due from customers of contract work provided it is probable that these costs will be recovered. Amounts billed for works performed but not yet paid by the customers are included in the consolidated statement of financial position under "Trade and other receivables".

- (ii) Revenue from maintenance and other services is recognised when services are rendered.
- (iii) Interest income is recognised on a time proportion basis by reference to the principal outstanding using the effective interest method.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value.

### (k) Income taxes

Income taxes comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or deductible for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

### (l) Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (m) Employee benefits

#### (i) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

#### (ii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

### (n) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the higher of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

### (o) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (q) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a party, provides key management personnel services to the Group or the Company's parent.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (q) Related parties *(Continued)*

- (c) Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:
  - (i) that person's children and spouse or domestic partner;
  - (ii) children of that person's spouse or domestic partner; and
  - (iii) dependents of that person or that person's spouse or domestic partner.

## 6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgement, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Key sources of estimation uncertainty

The key sources of estimation uncertainty that have significant risks of resulting in material adjustments to the carrying amounts of assets and liabilities within next financial year are as follows:

#### (a) Construction contract

Progress towards complete satisfaction of performance obligation of construction contract is measured according to the input method of individual engineering contract, which is measured by reference to the estimated contract costs and gross profit of each contract. Contract assets or liabilities are determined based on contract costs incurred, progress billings, any foreseeable losses and recognised profit which is also dependent on estimation of contract costs. The recognition of contract revenue and contract assets or liabilities requires significant management judgement and involves estimation uncertainty. Estimated contract costs of individual contract, which mainly comprise subcontracting charges, materials and direct labour, are supported by contract budget which was prepared by the management of the Group on the basis of estimated subcontracting charges, cost of materials and cost of direct labour based on quotations provided by subcontractors, suppliers or vendors as well as the experience of the management. In order to ensure that the total estimated contract costs are accurate and up-to-date such that contract revenue can be estimated reliably, management reviews the contract budget, costs incurred to date and costs to completion regularly, in particular in the case of costs over-runs, and revises the estimated contract costs where necessary. For the purpose of updating the contract budget, the management may request for updated quotations from the subcontractors, suppliers or vendors. Recognition of variations and claims also requires estimation and judgement by the management.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Key sources of estimation uncertainty (Continued)

#### (a) Construction contract (Continued)

Notwithstanding that the management regularly reviews and revises the estimates of both contract costs and gross profit margin for the construction contracts as the contracts progress, the actual contract costs and gross profit margin may be higher or lower than the estimations and that will affect the revenue and gross profit recognised.

#### (b) Impairment of trade receivables and contract assets

##### *Estimated impairment loss of trade receivables and contract assets (from 1 April 2018)*

The impairment allowances for trade receivables and contract assets are based on assumptions about risk of default and expected credit loss rates. The Group adopts judgement in making these assumptions and selecting inputs for computing such impairment loss, broadly based on the available customers' historical data, existing market conditions including forward looking estimates at the end of each reporting period.

##### *Estimated impairment loss of trade and other receivables (until 31 March 2018)*

The impairment policy for bad and doubtful debts of the Group is based on management's evaluation of collectability and ageing analysis of receivables and on the specific circumstances for each account. Judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial condition of these customers was to deteriorate resulting in an impairment of their ability to make payments, additional allowance will be required.

## 7. SEGMENT REPORTING

The executive directors of the Company, who are the chief operating decision-makers of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports reviewed by the executive directors of the Company that are used to make strategic decisions.

The Group has three reportable segments. The segments are managed separately as each business offers different services and requires different business strategies.

The following summary describes the operations in each of the Group's reportable segments:

- Installation work – supply and carrying out fire prevention system installation work;
- Alteration and addition services – provision of alteration and addition services on existing fire prevention system of customers; and
- Maintenance services – provision of repair and maintenance services on fire prevention systems of customers.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 7. SEGMENT REPORTING (Continued)

Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before income tax. The adjusted profit or loss before income tax is measured consistently with the Group's profit or loss before income tax except that unallocated income and gains, finance costs, as well as corporate expenses are excluded from such measurement.

Since total assets, liabilities and capital expenditures for each reportable segment are not regularly provided to the chief operating decision-makers, the directors are of the opinion that the disclosure of such information is not necessary.

Moreover, as the directors consider the Group's revenue (determined based on the location of customers) and results are all materially derived in Hong Kong and no material Group's consolidated assets are located outside Hong Kong, geographical segment information is not considered necessary.

### (a) Business segments

For the year ended 31 March 2019

	Installation work HK\$'000	Alteration and addition services HK\$'000	Maintenance services HK\$'000	Total HK\$'000
<b>Segment revenue</b>				
Revenue from external customers	234,657	125,335	5,670	365,662
Segment profit	30,814	23,384	454	54,652
Other income and gains				245
Unallocated staff costs				(10,305)
Unallocated corporate expenses				(16,146)
Finance costs				(109)
Profit before income tax				28,337
<b>Other segment information</b>				
Unallocated bank interest income				20
Unallocated depreciation				864
Unallocated amortisation				195
Unallocated interest expenses				109
Unallocated income tax				5,391
Unallocated capital expenditures				3,449
Impairment of trade receivables and contract assets, net				3,220

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 7. SEGMENT REPORTING (Continued)

### (a) Business segments (Continued)

For the year ended 31 March 2018

	Installation work HK\$'000	Alteration and addition services HK\$'000	Maintenance services HK\$'000	Total HK\$'000
<b>Segment revenue</b>				
Revenue from external customers	185,028	92,188	2,544	279,760
Segment profit	25,567	19,824	403	45,794
Other income and gains				13,914
Unallocated staff costs				(8,775)
Unallocated corporate expenses				(10,675)
Listing expenses				(16,719)
Finance costs				(106)
Profit before income tax				23,433
<b>Other segment information</b>				
Unallocated bank interest income				15
Unallocated depreciation				684
Unallocated interest expenses				106
Unallocated income tax				4,700
Unallocated capital expenditures				747
Reversal of impairment of trade receivables, net				822

### (b) Information about major customers

Revenue from major customers, each of them accounted for 10% or more of the Group's revenue, are set out below:

	2019 HK\$'000	2018 HK\$'000
Installation work:		
Customer I	54,316	61,226
Alteration and addition services:		
Customer II	40,617	N/A <sup>1</sup>

<sup>1</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group for the year ended 31 March 2018.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 8. REVENUE

Revenue mainly represents income from provision of installation work, alteration and addition services and maintenance services during the reporting period.

### (a) Disaggregation of the Group's revenue from contracts with customers

	2019 HK\$'000	2018 HK\$'000
Revenue from installation work	234,657	185,028
Revenue from alteration and addition services	125,335	92,188
Revenue from maintenance services	5,670	2,544
	<b>365,662</b>	<b>279,760</b>

Installation work, alteration and addition services and maintenance services represent performance obligations that the Group satisfies over time for each respective contract.

### (b) Transaction price allocated to the remaining performance obligations

The follow table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at end of the reporting period:

	2019 HK\$'000
Provision of installation work	141,213
Provision of alteration and addition services	18,695

Based on the information available to the Group at the end of the reporting period, the management of the Group expects the transaction price amounting to HK\$159,908,000 allocated to the contracts under installation work and alteration and addition services as at 31 March 2019 will be recognised as revenue on or before 31 March 2021.

The Group has applied the practical expedient under HKFRS 15 so that transaction price allocated to unsatisfied performance obligations under contracts for maintenance services is not disclosed as such contracts have an original expected duration of one year or less.

## 9. OTHER INCOME AND GAINS

	2019 HK\$'000	2018 HK\$'000
Handling fee income	–	190
Bank interest income	20	15
Net exchange gains	–	295
Gain on disposal of property, plant and equipment	33	12,128
Rental income	–	19
Reversal of impairment of trade receivables, net	–	822
Others	192	445
	<b>245</b>	<b>13,914</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 10. PROFIT BEFORE INCOME TAX

This is arrived at after charging/(crediting) the followings:

	2019 HK\$'000	2018 HK\$'000
Auditor's remuneration	880	898
Depreciation in respect of:		
– Owned assets	799	430
– Leased assets	65	254
	<b>864</b>	684
Amortisation of intangible assets	195	–
Impairment of trade receivables and contract assets, net	3,220	–
Employee benefit expenses (including directors' emoluments (Note 15))		
– Salaries, allowances and other benefits	28,610	21,937
– Contribution to defined contribution retirement plan	1,018	876
	<b>29,628</b>	22,813
Operating lease payments in respect of:		
– Land and buildings	1,623	641
– Equipment	121	121
	<b>1,744</b>	762
Net exchange gains	–	(295)

## 11. FINANCE COSTS

	2019 HK\$'000	2018 HK\$'000
Interest on bank borrowings (Note)		
–Bank loans	95	87
Interest element of finance lease payments	14	19
	<b>109</b>	106

Note: This analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause, in accordance with scheduled repayment dates set out in the loan agreements. For the years ended 31 March 2018 and 2019, all agreements of bank borrowings contain a repayment on demand clause.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 12. INCOME TAX AND DEFERRED TAX

(a) The amounts of income tax in the consolidated statement of comprehensive income represent:

	2019 HK\$'000	2018 HK\$'000
Current tax		
– Hong Kong profits tax	5,253	4,704
– Under-provision for prior years	597	73
Deferred tax	(459)	(77)
	<b>5,391</b>	<b>4,700</b>

Hong Kong profits tax is calculated at two-tiered rates on the estimated assessable profits arising in Hong Kong at 8.25% on assessable profits up to HK\$2 million and 16.5% on any part of assessable profits over HK\$2 million (2018: 16.5% on the estimated assessable profits).

The income tax for the reporting period can be reconciled to the profit before income tax in the consolidated statement of comprehensive income as follows:

	2019 HK\$'000	2018 HK\$'000
Profit before income tax	28,337	23,433
Tax thereon at domestic rates applicable to profit or loss in the jurisdictions concerned	4,675	3,867
Tax effect of revenue not taxable for tax purposes	(60)	(2,066)
Tax effect of expenses not deductible for tax purposes	384	2,886
Income tax at concessionary rate	(165)	–
Under-provision for prior years	597	73
Tax relief	(40)	(60)
Income tax	<b>5,391</b>	<b>4,700</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 12. INCOME TAX AND DEFERRED TAX (Continued)

(b) Details of the deferred tax assets/(liabilities) recognised and movements during the reporting periods are as follows:

	Depreciation allowances HK\$'000	Provision for impairment of trade receivables and contract assets HK\$'000	Total HK\$'000
As at 1 April 2017	–	–	–
Acquisition of a subsidiary (Note 31)	(4)	–	(4)
Credit to profit or loss	77	–	77
As at 31 March 2018 and 1 April 2018	73	–	73
Effect of adoption of HKFRS 9 (Note 3(a))	–	616	616
At 1 April 2018 (restated)	73	616	689
(Charge)/credit to profit or loss	(258)	726	468
Effect of change in tax rate	–	(9)	(9)
<b>As at 31 March 2019</b>	<b>(185)</b>	<b>1,333</b>	<b>1,148</b>

## 13. DIVIDEND

	2019 HK\$'000	2018 HK\$'000
Special dividend	–	10,000

On 31 December 2017, the Company declared a special dividend of HK\$10,000,000 to its shareholders. The directors do not recommend the payment of a final dividend for the years ended 31 March 2018 and 2019.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 14. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following data.

	2019 HK\$'000	2018 HK\$'000
<b>Earnings</b>		
Profit for the year	22,946	18,733
<b>Number of shares</b>		
Weighted average number of ordinary shares	1,200,000	939,450

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the capitalisation issue had been effective on the beginning of all the periods presented in these consolidated financial statements.

Diluted earnings per share was the same as the basic earnings per share as the Group had no potential dilutive ordinary shares during the years ended 31 March 2018 and 2019.

## 15. DIRECTORS' EMOLUMENTS, HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS

### (a) Directors' emoluments

The emoluments of each of the directors for the reporting period are set out below:

	Fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Discretionary bonuses HK\$'000	Contribution to pension scheme HK\$'000	Total HK\$'000
<b>Year ended 31 March 2019</b>					
<b>Executive directors</b>					
Mr. Poon Ken Ching Keung	50	1,085	-	18	1,153
Mr. Poon Ching Tong Tommy	50	857	-	36	943
Mr. Ng Kwok Wai	50	795	-	18	863
Total	150	2,737	-	72	2,959
<b>Non-executive director</b>					
Ms. Poon Kam Yee Odilia	50	120	-	6	176
<b>Independent non-executive directors</b>					
Dr. Wong Kam Din (deceased on 6 June 2019)	120	-	-	-	120
Mr. Yung Chung Hing	120	-	-	-	120
Mr. Lam Chung Wai	120	-	-	-	120
Total	360	-	-	-	360

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 15. DIRECTORS' EMOLUMENTS, HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

### (a) Directors' emoluments (Continued)

	Fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Discretionary bonuses HK\$'000	Contribution to pension scheme HK\$'000	Total HK\$'000
<b>Year ended 31 March 2018</b>					
<b>Executive directors</b>					
Mr. Poon Ken Ching Keung	-	1,025	-	18	1,043
Mr. Poon Ching Tong Tommy	-	655	-	29	684
Mr. Ng Kwok Wai	-	759	-	18	777
<b>Total</b>	-	<b>2,439</b>	-	<b>65</b>	<b>2,504</b>
<b>Non-executive director</b>					
Ms. Poon Kam Yee Odilia	-	105	-	5	110
<b>Independent non-executive directors</b>					
Dr. Wong Kam Din	20	-	-	-	20
Mr. Yung Chung Hing	20	-	-	-	20
Mr. Lam Chung Wai	20	-	-	-	20
<b>Total</b>	<b>60</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60</b>

Notes:

- (i) All executive directors and non-executive director were appointed as directors of the Company on 27 June 2017.
- (ii) All independent non-executive directors were appointed as directors of the Company on 24 January 2018.

During the years ended 31 March 2018 and 2019, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived or agreed to waive any emoluments during the years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

### 15. DIRECTORS' EMOLUMENTS, HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

#### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year included 2 (2018: 2) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining highest paid non-director individuals are as follows:

	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
Salaries, allowances and other benefits	<b>2,142</b>	1,492
Contribution to pension scheme	<b>54</b>	54
	<b>2,196</b>	1,546

Remuneration of these individuals was within the following band:

	<b>2019</b> <b>Number of</b> <b>individuals</b>	2018 Number of individuals
HK\$Nil – HK\$1,000,000	<b>3</b>	3

#### (c) Senior management's emoluments

Emoluments paid or payable to members of senior management who are not directors were within the following band:

	<b>2019</b> <b>Number of</b> <b>individuals</b>	2018 Number of individuals
HK\$Nil – HK\$1,000,000	<b>5</b>	5

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Machineries HK\$'000	Total HK\$'000
<b>Cost</b>						
At 1 April 2017	2,795	600	2,374	1,707	125	7,601
Additions	-	265	243	70	-	578
Acquisition of a subsidiary (Note 31)	-	8	161	-	-	169
Disposals	(2,795)	(600)	(441)	(43)	-	(3,879)
At 31 March 2018 and 1 April 2018	-	273	2,337	1,734	125	4,469
Additions	-	642	395	1,491	141	2,669
Disposals	-	-	-	(380)	-	(380)
At 31 March 2019	-	915	2,732	2,845	266	6,758
<b>Accumulated depreciation</b>						
At 1 April 2017	2,795	399	1,789	1,151	108	6,242
Charge for the year	-	158	266	254	6	684
Write-off on disposals	(2,795)	(466)	(400)	(43)	-	(3,704)
At 31 March 2018 and 1 April 2018	-	91	1,655	1,362	114	3,222
Charge for the year	-	204	290	329	41	864
Write-off on disposals	-	-	-	(380)	-	(380)
At 31 March 2019	-	295	1,945	1,311	155	3,706
<b>Net carrying value</b>						
At 31 March 2019	-	620	787	1,534	111	3,052
At 31 March 2018	-	182	682	372	11	1,247

As at 31 March 2019, a motor vehicle with carrying amount of HK\$245,000 (2018: HK\$Nil) was held under finance lease.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 17. INTANGIBLE ASSETS

	<b>Computer system</b> HK\$'000
<b>Cost</b>	
At 1 April 2017, 31 March 2018 and 1 April 2018	–
Additions	780
At 31 March 2019	780
<b>Accumulated amortisation</b>	
At 1 April 2017, 31 March 2018 and 1 April 2018	–
Amortisation charge for the year	195
At 31 March 2019	195
<b>Carrying amount</b>	
At 31 March 2019	585
At 31 March 2018	–

## 18. TRADE AND OTHER RECEIVABLES

	<b>2019</b> HK\$'000	2018 HK\$'000
Trade receivables	<b>28,353</b>	31,343
Less: Provision for impairment (Note (c))	<b>(2,567)</b>	(1,262)
Trade receivables, net (Note (a))	<b>25,786</b>	30,081
Retention receivables (Note (b))	–	20,796
Deposits, prepayments and other receivables	<b>2,940</b>	1,088
	<b>28,726</b>	51,965

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 18. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

- (a) The credit period granted to customers is normally 14 days. The ageing analysis of trade receivables, net of impairment and based on invoice date, as at the end of each of the reporting periods, is as follows:

	2019 HK\$'000	2018 HK\$'000
Within 30 days	10,204	21,969
31 – 60 days	3,111	4,609
61 – 90 days	9,631	1,584
91 – 180 days	2,201	550
181 – 365 days	550	725
Over 365 days	89	644
	<b>25,786</b>	30,081

- (b) Upon the adoption of HKFRS 15, retention receivables are included in contract assets as disclosed in Note 19(a).

As at 31 March 2018, retention receivables were aged within 1 year, except that the retention receivables in the amount of HK\$11,060,000 were aged over 1 year.

- (c) The Group recognised impairment of the trade receivables and deposits and other receivables for the years ended 31 March 2019 and 31 March 2018 based on the accounting policies stated in Note 5(f) and 5(g) respectively. Further details are set out in Note 37(a).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 19. CONTRACT ASSETS AND CONTRACT LIABILITIES

### (a) Contract assets

	<b>31 March 2019 HK\$'000</b>	1 April 2018 HK\$'000	31 March 2018 HK\$'000
<b>Contract assets</b>			
Arising from performance under installation work and alteration and addition services	<b>70,400</b>	50,196	–
Retention receivables (Note (i))	<b>23,712</b>	20,796	–
	<b>94,112</b>	70,992	–
Less: Provision for impairment (Note (ii))	<b>(5,650)</b>	(2,900)	–
<b>Contract assets, net</b>	<b>88,462</b>	68,092	–

Notes:

- (i) Invoices on revenue from installation work and alteration and addition services are issued according to the payment certificates approved by customers once certain milestones are reached. If the Group recognises the related revenue before it being unconditionally entitled to the consideration (i.e. when invoices are issued), the entitlement to consideration is classified as contract asset. Similarly, a contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

Retention monies are retained by customers based on progress of projects. Generally 50% of the retention receivables will be released upon issuance of certificate of practical completion of the installation work and the remaining 50% of the balances will be released upon expiry of defect liability period as specified in the engineering contracts, which is usually 12 months.

As at 31 March 2019, retention receivables were aged within 1 year, except that the retention receivables in the amounts of HK\$5,665,000 were aged over 1 year.

The expected timing of recovery or settlement for contract assets as 31 March 2019 is as follows:

	<b>2019 HK\$'000</b>
Within one year	<b>81,913</b>
More than one year and less than two years	<b>1,489</b>
More than two years and less than three years	<b>5,060</b>
<b>Total contract assets</b>	<b>88,462</b>

- (ii) The Group recognised impairment of contract assets for the year ended 31 March 2019 based on the accounting policy stated in Note 5(f). Further details are set out in Note 37(a).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 19. CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

### (b) Contract liabilities

	31 March 2019 HK\$'000	1 April 2018 HK\$'000	31 March 2018 HK\$'000
<b>Contract liabilities</b>			
Billings in advance of performance under installation work and alteration and addition services	1,529	1,246	-

Typical payment terms which impact on the amount of contract liabilities are set in Note 19(a) above.

	2019 HK\$'000
<b>Movements in contract liabilities</b>	
Balance at the beginning of the year	1,246
Decrease as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(1,134)
Increase as a result of billing in advance of installation work and alteration and addition services	1,417
Balance at the end of the year	1,529

## 20. AMOUNTS DUE FROM/(TO) CUSTOMERS OF CONTRACT WORK

	2019 HK\$'000	2018 HK\$'000
Costs incurred to date plus recognised profits	-	238,385
Less: Progress billings to date	-	(189,435)
	-	48,950
Amounts due from customers of contract work	-	50,196
Amounts due to customers of contract work	-	(1,246)
	-	48,950

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 21. PLEDGED DEPOSITS

Pledged deposits are placed with financial institutions as collaterals for the surety bonds issued in favour of the customers of certain engineering contracts. The Group has unconditionally and irrevocably agreed to indemnify the financial institutions for claims and losses the financial institutions may incur in respect of the surety bonds.

## 22. PLEDGED BANK DEPOSITS

Pledged bank deposits are pledged to secure facilities of the Group granted by financial institutions as collaterals for the surety bonds issued in favour of the customers of certain engineering contracts (Note 34).

## 23. TRADE AND OTHER PAYABLES

	2019 HK\$'000	2018 HK\$'000
Trade payables (Note (a))	62,224	43,863
Retention payables (Note (b))	10,218	6,446
Other payables, accruals and deposits received	5,643	2,918
	<b>78,085</b>	53,227

Notes:

- (a) The credit period granted by suppliers and contractors is normally 30 to 90 days.

The ageing analysis of trade payables, based on invoice date, as of the end of each of the reporting periods is as follows:

	2019 HK\$'000	2018 HK\$'000
0 – 30 days	37,150	23,577
31 – 60 days	10,817	6,632
61 – 90 days	2,189	3,901
Over 90 days	12,068	9,753
	<b>62,224</b>	43,863

- (b) Retention monies are retained by the Group when the relevant projects are completed. The retention payables will be released upon expiry of defect liability period as specified in the subcontracting agreements, which is usually 12 months. As at 31 March 2019, retention payables were aged within 1 year, except that the retention payables in the amount of HK\$5,779,000 (2018: HK\$5,079,000) were aged over 1 year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

### 24. OBLIGATIONS UNDER FINANCE LEASES

The Group leased its motor vehicles and these leases were classified as finance leases. The lease obligations were secured by the underlying leased assets. The future lease payments under the finance leases are due as follows:

	Minimum lease payments HK\$'000	Interest HK\$'000	Present value of minimum lease payments HK\$'000
<b>As at 31 March 2019</b>			
Not later than one year	87	10	77
Later than one year but not later than five years	174	8	166
	<b>261</b>	<b>18</b>	<b>243</b>

	Minimum lease payments HK\$'000	Interest HK\$'000	Present value of minimum lease payments HK\$'000
<b>As at 31 March 2018</b>			
Not later than one year	-	-	-
Later than one year but not later than five years	-	-	-
	-	-	-

The present value of future lease payments is analysed as:

	2019 HK\$'000	2018 HK\$'000
Current liabilities	77	-
Non-current liabilities	166	-
	<b>243</b>	-

Note: The effective interest rate of the Group's obligations under finance leases as at 31 March 2019 is 2.5% per annum (2018: Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 25. BANK BORROWING, SECURED

	2019 HK\$'000	2018 HK\$'000
<b>Current liabilities</b>		
<i>Secured and interest-bearing bank borrowings</i>		
Bank loans subject to repayment on demand clause (Note (a))		
– Bank loan due for repayment within one year	1,004	975
– Bank loan due for repayment after one year (Note (b))	861	1,865
– Bank overdrafts	–	3,620
	<b>1,865</b>	<b>6,460</b>

Notes:

- (a) Bank loan is interest-bearing at floating rate. The interest rate of the Group's bank loan as at 31 March 2019 (2018: bank loans) granted under banking facilities is 3.1% (2018: 3% to 4.5%) per annum.
- (b) The current liabilities as at 31 March 2018 and 2019 include such bank loans that are not scheduled to repay within one year after the end of the reporting periods. They are classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at their own discretion. None of the portion of these bank loans due for repayment after one year which contain a repayment on demand clause and that are classified as current liabilities are expected to be settled within one year.
- (c) The Group's bank facilities are secured by corporate guarantee of the Company.

As at 31 March 2019, the Group's bank borrowing was scheduled to repay as of the end of the reporting period as follows:

	2019 HK\$'000	2018 HK\$'000
On demand or within one year	1,004	4,595
More than one year, but not exceeding two years	861	1,005
More than two years, but not exceeding five years	–	860
	<b>1,865</b>	<b>6,460</b>

Note: The amounts due are based on the scheduled repayment dates in the loan agreements and no effect of any repayment on demand clause is taken into account.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 26. SHARE CAPITAL

	Notes	Number '000	Amount HK\$'000
<b>Authorised:</b>			
<i>Ordinary shares of HK\$0.01 each</i>			
Initial authorised share capital upon incorporation	(a)	38,000	380
Increase in authorised share capital upon capitalisation	(d)	3,762,000	37,620
<b>At 31 March 2018 and 2019</b>		<b>3,800,000</b>	<b>38,000</b>
<b>Ordinary shares, issued and fully paid:</b>			
<b>At 1 April 2017</b>			
Issue of 1 share upon incorporation	(a)	-	-
Issue of 999 additional shares	(b)	1	-
Issue of additional shares upon acquisition of a subsidiary	(c)	9	-
Issue of shares upon capitalisation	(e)	899,990	9,000
Issue of shares upon the Listing	(f)	300,000	3,000
<b>At 31 March 2018 and 2019</b>		<b>1,200,000</b>	<b>12,000</b>

The movements in share capital above for the year ended 31 March 2018 arose from the Reorganisation and completion of the Listing on 12 February 2018 (the "Listing Date") as detailed below:

Notes:

- The Company was incorporated on 27 June 2017 in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. Upon incorporation, one fully paid ordinary share was allotted and issued to an initial subscriber, which was then transferred to Success Step Management Limited on 15 July 2017 at par value.
- On 15 July 2017, 464 shares, 435 shares and 100 shares were allotted and issued as fully paid at par value to Success Step Management Limited, Noble Capital Concept Limited and Legend Advanced Limited, respectively.
- On 31 August 2017, a share sale agreement (the "GFE Share Sale Agreement") was entered into among the then shareholders of GFE (the "GFE Shareholders") as the vendors, the Company as the purchaser and GTL pursuant to which the GFE Shareholders agree to sell, and the Company agrees to purchase, the entire issued share capital, being 25,000 shares in GFE (the "GFE Acquisition").

The consideration of the GFE Acquisition was HK\$38,860,000, which was determined based on the audited net asset value of GFE as at 31 March 2017. The Company settled the consideration of the GFE Acquisition by allotting and issuing 4,185 shares, 3,915 shares and 900 shares, credited as fully paid up, to Success Step Management Limited, Noble Capital Concept Limited and Legend Advanced Limited respectively, at the instruction of the GFE Shareholders. At the direction of the Company, the 25,000 shares in GFE were transferred by the vendors to GTL.

- Pursuant to the written resolutions of the shareholders dated 24 January 2018, the Company increased its authorised share capital from HK\$380,000 to HK\$38,000,000 by the creation of an additional 3,762,000,000 ordinary shares.
- Pursuant to written resolutions of the shareholders dated 24 January 2018, the directors were authorised to capitalise HK\$8,999,900 from the amount to be standing to the credit of the share premium account of the Company upon the Listing and applied such amount to pay up in full at par of 899,990,000 ordinary shares.
- On 12 February 2018, 300,000,000 ordinary shares of HK\$0.01 each of the Company were issued at a price of HK\$0.17 each, by way of placing and public offering, resulting in the gross proceeds of HK\$51,000,000, of which the amount of HK\$3,000,000 was credited to the Company's share capital and the remaining amount of HK\$48,000,000, net of issuing expenses of approximately HK\$10,159,000, were credited to share premium account.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 27. SHARE OPTION SCHEME

A share option scheme (the "Scheme") was approved and adopted by the Company on 24 January 2018.

The Scheme is effective for a period of 10 years commencing on the Listing Date of the Company. Under the Scheme, the board of directors may in its absolute discretion determine at the time of grant of the relevant option but the subscription price shall not be less than whichever is the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant of the option; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the grant of the option; and (iii) the nominal value of a share. An offer of grant of an option may be accepted by a participant within the date as specified in the offer letter issued by the Company, being a date not later than 28 days from the date upon which it is made, by which the participant must accept the offer or be deemed to have declined it, provided that such date shall not be more than 10 years after the date of adoption of the Scheme. A consideration of HK\$1 is payable on acceptance of the offer of grant of an option.

The period as the board of directors may in its absolute discretion determine and specify in relation to any particular option holder in his option agreement during which the option may be exercised (subject to such restriction on exercisability specified therein), which shall be not greater than the period prescribed by the GEM Listing Rules from time to time (which is, as at the date of adoption of the Scheme, a period of 10 years from the date of the grant of the option).

The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes must not exceed 30% of the shares in issue from time to time. No options may be granted under any schemes of the Company if this will result in the limit being exceeded. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Company must not in aggregate exceed 10% of the shares in issue. Options lapsed in accordance with the terms of the Scheme or any other schemes will not be counted for the purpose of calculating the 10% limit.

No share options were granted under the Scheme during the year. Share options do not confer rights to the holders to dividends or to vote at shareholders' meetings.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2019 HK\$'000	2018 HK\$'000
<b>Non-current assets</b>			
Interests in subsidiaries		-	-
<b>Current assets</b>			
Amounts due from subsidiaries		38,617	36,982
Prepayment		80	-
Cash and cash equivalents		22,146	25,808
Total current assets		60,843	62,790
<b>Current liabilities</b>			
Accruals		401	44
Total current liabilities		401	44
<b>Net assets</b>		<b>60,442</b>	<b>62,746</b>
<b>Capital and reserves</b>			
Share capital	26	12,000	12,000
Reserves	29	48,442	50,746
<b>Total equity</b>		<b>60,442</b>	<b>62,746</b>

On behalf of the board of directors

**Mr. Poon Ken Ching Keung**  
Executive Director

**Mr. Ng Kwok Wai**  
Executive Director

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 29. RESERVES

Details of the movements in the Group's reserves are as set out in the consolidated statement of changes in equity in these consolidated financial statements. The natures and purposes of reserves within equity are as follows:

- (a) Share premium account of the Company represents the excess of the proceeds received over the par value of the Company's shares issued.
- (b) Other reserve account represents the difference between the consideration of the GFE Acquisition and the par value of the shares of the Company issued in exchange thereof pursuant to the Reorganisation.
- (c) In accordance with the provisions of the Macau Commercial Code, the Group is required to transfer a minimum of 25% of the annual net profit arising from its branch in Macau to legal reserve on the appropriation of profits to dividends until the reserve equals half of the Group's capital injection in the branch.

Details of the movements on the Company's reserves are as follows:

	Share premium HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At date of incorporation	-	-	-	-
Effect of group reorganisation	-	38,860	-	38,860
Capitalisation issue of ordinary shares	(9,000)	-	-	(9,000)
Issue of ordinary shares upon listing of the Company's shares	48,000	-	-	48,000
Expenses incurred in connection with the issue of new ordinary shares	(10,159)	-	-	(10,159)
Dividend declared	-	-	(10,000)	(10,000)
Loss for the period	-	-	(6,955)	(6,955)
<b>At 31 March 2018 and 1 April 2018</b>	28,841	38,860	(16,955)	50,746
Loss for the year	-	-	(2,304)	(2,304)
<b>At 31 March 2019</b>	28,841	38,860	(19,259)	48,442

## 30. PARTICULARS OF SUBSIDIARIES

Please refer to the Note 1 for the details of the Company's subsidiaries as at 31 March 2019.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 31. BUSINESS COMBINATION DURING PRIOR YEAR

On 3 August 2017 ("Acquisition date"), the Group entered into a share sale agreement with Mr. Poon Ken Ching Keung and Ms. Poon Kam Yee Odilia. Pursuant to the agreement, Mr. Poon Ken Ching Keung and Ms Poon Kam Yee Odilia agreed to sell, and the Group agreed to purchase the entire issued share capital of GEL at a consideration of HK\$331,000. The acquisition was made as one of the steps of the Reorganisation for the Listing of the Company. The identifiable assets and liabilities of GEL as at the Acquisition date were as follows:

	<b>Carrying values and fair values</b> HK\$'000
Property, plant and equipment	169
Trade and other receivables	14,972
Amount due from a related company	6,386
Amount due from a related party	20
Bank balances and cash	8,301
Trade and other payables	(21,326)
Dividend payable	(7,937)
Income tax payable	(250)
Deferred tax liabilities	(4)
<b>Net identifiable assets</b>	<b>331</b>
	HK\$'000
Cash consideration	331
Less: fair values of the identifiable assets and liabilities	(331)
<b>Goodwill</b>	<b>-</b>

The fair value of the trade and other receivables as at the Acquisition date amounted to HK\$14,972,000. The gross contractual amount of trade and other receivables was HK\$17,056,000, of which trade receivables of HK\$2,084,000 are expected to be uncollectible.

Since the Acquisition date, GEL has contributed HK\$53,203,000 and HK\$4,010,000 to the Group's revenue and profit for the year ended 31 March 2018 respectively. Had the acquisition taken place on 1 April 2017, the Group's revenue and profit for the year ended 31 March 2018 would have been HK\$298,966,000 and HK\$19,170,000 respectively.

An analysis of the cash flows in respect of the acquisition of GEL is as follows:

	HK\$'000
Cash consideration	(331)
Bank balances and cash acquired	8,301
<b>Net cash inflows of cash and cash equivalents included in cash flows from investing activities</b>	<b>7,970</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 32. OPERATING LEASE COMMITMENTS

### Operating leases – The Group as lessee

The Group leases office premises under operating lease arrangement. The leases run for an initial period of one to two years (2018: one to two years) and are non-cancellable. The total future minimum lease payments under these leases are due as follows:

	2019 HK\$'000	2018 HK\$'000
Within one year	960	928
In the second to fifth year, inclusive	1,623	616
	<b>2,583</b>	1,544

## 33. RELATED PARTY TRANSACTIONS

(a) Save for those disclosed elsewhere in these consolidated financial statements, the Group has the following significant transactions with related parties:

Related party identity and relationship	Type of transaction	Notes	2019 HK\$'000	2018 HK\$'000
GEL, a related company	Rental income	(i)	–	(19)
	Project expense	(i)	–	177
	Sub-contracting fee	(i)	–	1,824
Vistar Alliance Limited ("Vistar Alliance"), a related company	Disposal of leasehold land and buildings	(ii)	–	13,300
	Rental expenses	(ii)	526	88
Mr. Poon Ching Tong, Tommy, a director of the Company	Rental expenses		–	50

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 33. RELATED PARTY TRANSACTIONS (Continued)

(a) Save for those disclosed elsewhere in these consolidated financial statements, the Group has the following significant transactions with related parties: (Continued)

Notes:

- (i) GEL was acquired by the Group on 3 August 2017 and has become a subsidiary of the Group since then. The related party transactions above represented the transaction amounts for the period from 1 April 2017 to the Acquisition date.
- (ii) Pursuant to the sale and purchase agreement entered into between GFE and Vistar Alliance dated 11 December 2017, GFE agreed to sell and Vistar Alliance agreed to purchase the Group's leasehold land and buildings at a consideration of HK\$13.3 million which was completed on 15 January 2018. Vistar Alliance is owned by Mr. Poon Ken Ching Keung and Mr. Poon Ching Tong Tommy.

GFE and Vistar Alliance also entered into a lease agreement dated 22 January 2018, pursuant to which Vistar Alliance agreed to lease the leasehold land and buildings to GFE for a term of not more than three years from the date of the lease agreement at a monthly rental of HK\$43,800.

The terms of the above transactions were based on those agreed between the Group and the related companies and the director.

## (b) Compensation of key management personnel

Remuneration of key management personnel, who are directors of the Company, during the reporting period were disclosed in Note 15.

## 34. GUARANTEES

The Group provided guarantees in respect of the surety bonds issued in favour of the customers of certain engineering contracts. Details of these guarantees as of the end of the reporting period are as follows:

	2019 HK\$'000	2018 HK\$'000
Aggregate value of the surety bonds issued in favour of customers	14,652	9,120

The directors are of the opinion that it is not probable that the financial institutions would claim the Group for losses in respect of the guarantee contracts as it is unlikely that the Group is unable to fulfil the performance requirements of the relevant contracts. Accordingly, no provision for the Group's obligations under the guarantees has been made as at the end of reporting period.

As at the end of the reporting period or during the reporting period, unless stated otherwise, the Group's bonding lines granted by the financial institutions are secured by:

- (i) the Group's deposits in financial institutions (Notes 21 and 22); and
- (ii) corporate guarantees of group companies and the Company.

## 35. CAPITAL COMMITMENTS

As at 31 March 2019 and 2018, the Group did not have any significant capital commitments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 36. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts of financial assets and liabilities:

	2019 HK\$'000	2018 HK\$'000
<b>Financial assets</b>		
<b><i>Financial assets at amortised cost (Note)</i></b>		
- Trade and other receivables	28,223	-
- Pledged deposits	5,339	-
- Pledged bank deposits	490	-
- Cash and cash equivalents	62,280	-
<b>Loans and receivables</b>		
- Trade and other receivables	-	51,365
- Pledged deposits	-	4,004
- Pledged bank deposits	-	360
- Cash and cash equivalents	-	45,799
<b>Financial liabilities</b>		
<b><i>Financial liabilities at amortised costs (Note)</i></b>		
- Trade and other payables	78,085	53,227
- Obligations under finance leases	243	-
- Bank borrowings, secured	1,865	6,460

Note:

### **Financial instruments not measured at fair value**

Above financial instruments which are measured at amortised costs are not measured at fair value. Due to their short term nature, the carrying values of the above financial instruments approximate their fair values.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 37. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

The Group is exposed to a variety of financial risks which comprise credit risk, interest rate risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the key management under the policies approved by the board of directors. The Group does not have written risk management policies. However, the directors meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks.

Generally, the Group employs a conservative strategy regarding its financial risk management. As the directors consider that the Group's exposure to financial risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The most significant risks to which the Group is exposed to are described below:

### (a) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The Group's credit risk is primarily attributable to its trade and other receivables, contract assets, pledged deposits, pledged bank deposits and bank balances. Management has a credit policy in place and the exposures to credit risk are monitored on an ongoing basis.

The Group does not obtain collateral from the counterparties. At the end of the reporting period, the Group has a certain concentration of credit risk as 47% (2018: 45%) of the total trade receivables was due from the Group's five largest customers.

#### Trade receivables and contract assets

The Group measures the loss allowance for trade receivables and contract assets at an amount equal to lifetime ECLs. To measure the ECLs, the trade receivables and contracts assets have been grouped based on shared credit risk characteristics (i.e. usually by locations) and the days past due. The ECLs on trade receivables and contract assets are estimated using a provision matrix by reference to past default experience of the debtor, current market condition in relation to each debtor's exposure. The ECLs also incorporated forward-looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle receivables.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 37. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

### (a) Credit risk (Continued)

Trade receivables and contract assets (Continued)

As at 31 March 2019, the provision made against the gross amount of trade receivables and contract assets is as follows:

	ECL rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Current (not past due)	0.3	94,476	280
0 – 60 days past due	2.4	9,957	239
61 – 90 days past due	2.6	7,546	196
91 – 180 days past due	4.2	2,347	99
181 – 365 days past due	7.7	797	61
Over 365 days past due	100	7,342	7,342
		<b>122,465</b>	<b>8,217</b>

ECLs are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

*Comparative information under HKAS 39*

Prior to 1 April 2018, an impairment loss was recognised only when there was objective evidence of impairment. The ageing analysis of trade receivables, net of impairment and based on due date, as at the end of each of the reporting periods, is as follows:

	2018 HK\$'000
Neither past due nor impaired	16,840
Past due but not impaired	
Less than 60 days	11,176
61 – 90 days	236
91 – 180 days	463
181 – 365 days	725
Over 365 days	641
	<b>13,241</b>
	<b>30,081</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 37. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

### (a) Credit risk (Continued)

Trade receivables and contract assets (Continued)

Comparative information under HKAS 39 (Continued)

Trade receivables and contract assets that were neither past due nor impaired related to a number of customers for whom there was no recent history of default. The management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

As at 31 March 2018, retention receivables and amounts due from customers of contract work were neither past due nor impaired, except that the retention receivables in the amount of HK\$5,724,000 is past due but not impaired.

The movements in the allowances for impairment of trade receivables and contract assets are as follows:

	Trade receivables HK\$'000	Contract assets HK\$'000	Total HK\$'000
Balance as at 1 April 2017	-	-	-
Acquisition of a subsidiary (Note 31)	2,084	-	2,084
Reversal of impairment loss	(822)	-	(822)
Balance as at 31 March 2018 under HKAS 39	1,262	-	1,262
Impact on initial application of HKFRS 9 (Note 3(a))	835	2,900	3,735
Adjusted balance as at 1 April 2018	2,097	2,900	4,997
Net impairment losses recognised during the year	470	2,750	3,220
<b>Balance as at 31 March 2019</b>	<b>2,567</b>	<b>5,650</b>	<b>8,217</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 37. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT *(Continued)*

### (a) Credit risk *(Continued)*

*Other receivables*

ECLs model for other receivables is summarised below:

Other receivables that are not credit-impaired on initial recognition are classified in "Stage 1" and have their credit risk continuously monitored by the Group. The ECLs is measured on a 12-month basis.

- If a significant increase in credit risk (as define below) since initial recognition is identified, the financial instrument is moved to "Stage 2" but it is not yet deemed to be credit-impaired. The ECLs are measured on lifetime basis.
- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3". The ECLs are measured on lifetime basis.
- At Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial instrument subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortised cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

As at 31 March 2019, no provision was made against the gross amount of other receivables because the Group considered the impact of the impairment of other receivables to be insignificant based on past credit history and the nature of the other receivables.

In respect of bank balances, pledged deposits and pledged bank deposits, the credit risk is limited because majority of the deposits are placed with reputable financial institutions.

The Group provides guarantees in respect of the surety bonds issued in favour of several customers. As at 31 March 2019, the maximum exposure to credit risk of guarantees issued by the Group represented the maximum amount the Group could be required to pay if the guarantees were called on, which are disclosed in Note 34. Management considers that it is unlikely that the Group is unable to fulfil the performance requirements of the relevant contracts and accordingly, the Group's exposure to credit risk in this regard is low.

The credit policies have been consistently applied and are considered to be effective in managing the Group's exposure.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 37. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

### (b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's interest rate risk mainly arises from bank borrowings and obligations under finance leases. Borrowings arranged at variable rates exposes the Group to cash flow interest rate risk.

All of the Group's bank borrowings as at 31 March 2019 bore interest at floating rates. Details of bank borrowings are disclosed in Note 25.

The Group currently does not have an interest rate hedging policy. However, the management closely monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

#### Sensitivity analysis

The following sensitivity analysis demonstrates the Group's exposure to a reasonably possible change in interest rates on its floating-rate bank borrowings with all other variables held constant at the end of the reporting period (in practice, the results may differ from the sensitivity analysis below and the difference could be material):

	Increase/(decrease) in profit and retained earnings	
	2019 HK\$'000	2018 HK\$'000
<b>Changes in interest rate</b>		
+1%	(16)	(54)
-1%	16	54

The changes in interest rates do not affect the Group's other component of equity. The above sensitivity analysis is prepared based on the assumption that the borrowing period of the bank borrowings outstanding at the end of the reporting period resembles that of the corresponding financial years or periods. The assumed changes in interest rate are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the period until the next annual reporting period.

### (c) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables, borrowings and its financing obligations under finance leases, and also in respect of its cash flow management. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policy has been followed by the Group for years and is considered to be effective in managing liquidity risks.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

### 37. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

#### (c) Liquidity risk (Continued)

The following tables summarise the remaining contractual maturities of the Group's financial liabilities including bank loan with repayment on demand clause, based on undiscounted cash flows (including interest payments computed using contractual rates or if floating, based on rates ruling at the end of the reporting period) and the earliest date the Group can be required to pay.

Specifically, for bank loan which contains repayment on demand clause which can be exercised at bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lender was to invoke its unconditional rights to call the loan with immediate effect.

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000
<b>At 31 March 2019</b>						
Trade and other payables	78,085	78,085	78,085	-	-	-
Obligations under finance leases	243	261	87	87	87	-
Bank loan subject to repayment on demand clause	1,865	1,865	1,865	-	-	-
	<b>80,193</b>	<b>80,211</b>	<b>80,037</b>	<b>87</b>	<b>87</b>	<b>-</b>

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000
<b>At 31 March 2018</b>						
Trade and other payables	53,227	53,227	53,227	-	-	-
Bank loans subject to repayment on demand clause	6,460	6,460	6,460	-	-	-
	<b>59,687</b>	<b>59,687</b>	<b>59,687</b>	<b>-</b>	<b>-</b>	<b>-</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

### 37. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

#### (c) Liquidity risk (Continued)

The following tables summarise the maturity analysis of the Group's bank loans with repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time banding in the maturity analysis contained above. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Carrying amount HK\$'000	Total contractual undiscounted cash flows HK\$'000	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000
<b>Bank loans subject to repayment on demand clause</b>						
As at 31 March 2019	1,865	1,919	1,919	-	-	-
As at 31 March 2018	6,460	6,816	4,897	1,047	872	-

#### (d) Capital management

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders, to maintain an optimal capital structure, to reduce the cost of capital and to support the Group's stability and growth.

The Group monitors capital using gearing ratio, which is total debts to equity. Total debts include bank borrowings and obligations under finance leases. Equity represents total equity of the Group.

The directors of the Company actively and regularly review and manage the Group's capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholders' returns. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, raise new debts or sells assets to reduce debts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2019

## 37. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

### (d) Capital management (Continued)

The gearing ratios as at the end of the reporting period were as follows:

	2019 HK\$'000	2018 HK\$'000
Bank borrowings, secured	1,865	6,460
Obligations under finance leases	243	–
Total debts	2,108	6,460
Total equity	108,261	88,434
Gearing ratio	1.9%	7.3%

## 38. MAJOR NON-CASH TRANSACTIONS

- (a) Pursuant to a set-off agreement effective on 11 June 2017, GFE undertook the amount due to Mr. Poon Ken Ching Keung by GEL of HK\$28,009,000. As a result, the amounts due from directors of the Company and the amount due to the then related company were reduced by the amount of HK\$28,009,000 during the year ended 31 March 2018.
- (b) On 31 December 2017, the Company proposed a special dividend of HK\$10,000,000 to shareholders which was utilised to offset against the amount due from a director, Mr. Poon Ken Ching Keung, at the instruction of the Company's shareholders at that time.
- (c) As detailed in Note 33(ii), the Group disposed of the leasehold land and buildings to Vistar Alliance. The net sale proceeds of HK\$12,302,000 owed by Vistar Alliance were settled through the amount due from a director, Mr. Poon Ken Ching Keung.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Obligations under finance leases HK\$'000	Interest payable on finance leases HK\$'000	Interest payable on bank borrowings, secured HK\$'000	Bank borrowings, secured HK\$'000	Amount due to a director of a subsidiary HK\$'000
At 1 April 2017	497	-	-	1,911	4,300
Changes from financing cash flows:					
Proceeds from new bank borrowings	-	-	-	3,000	-
Repayment of obligations under finance lease and bank borrowings, secured	(497)	-	-	(2,071)	-
Changes in amount due to a director of a subsidiary	-	-	-	-	(4,300)
Interest paid	-	(19)	(87)	-	-
Increase in bank overdrafts	-	-	-	3,620	-
Total changes from financing cash flows	(497)	(19)	(87)	4,549	(4,300)
Other changes:					
Finance costs	-	19	87	-	-
At 31 March 2018 and 1 April 2018	-	-	-	<b>6,460</b>	-
Changes from financing cash flows:					
Proceeds from new obligations under finance leases	<b>316</b>	-	-	-	-
Repayment of obligations under finance leases and bank borrowings, secured	<b>(73)</b>	-	-	<b>(4,595)</b>	-
Interest paid	-	<b>(14)</b>	<b>(95)</b>	-	-
Total changes from financing cash flows	<b>243</b>	<b>(14)</b>	<b>(95)</b>	<b>(4,595)</b>	-
Other changes:					
Finance costs	-	<b>14</b>	<b>95</b>	-	-
At 31 March 2019	<b>243</b>	-	-	<b>1,865</b>	-

### 40. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 March 2019 were approved and authorised for issue by the board of directors on 19 June 2019.

## THREE-YEAR FINANCIAL SUMMARY

	<b>2019</b>	2018	2017
	<b>HK\$'000</b>	HK\$'000	HK\$'000
	<b>Note (a)</b>	Note (a)	Note (b)
<b>For the year</b>			
Revenue	<b>365,662</b>	279,760	161,167
Profit before taxation	<b>28,337</b>	23,433	18,024
Profit attributable to equity holders of the Company	<b>22,946</b>	18,733	14,987
<b>Cashflows</b>			
Net cash generated from/(used in)operating activities	<b>24,338</b>	(24,648)	(17,668)
<b>At year end</b>			
Total assets	<b>190,082</b>	153,644	139,142
Total liabilities	<b>81,821</b>	65,210	100,282
Total equity	<b>108,261</b>	88,434	38,860
Cash and bank balances	<b>62,280</b>	45,799	19,455
<b>Per share data</b>			
Earnings per share–basic (HK cents)	<b>1.91 cents</b>	1.99 cents	1.67 cents

Notes:

- (a) The financial figures were extracted from the consolidated financial statements in the annual report.
- (b) The financial figures were extracted from the Prospectus dated 31 January 2018.